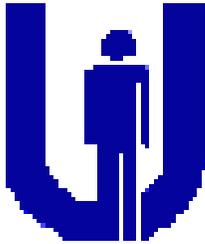


State of Washington, Employment Security Department

2001 Annual Report



State of Washington Unemployment Insurance:

Administration, Taxation, and Claimant Assistance



Compiled by: Unemployment Insurance Division,
Office of Research and Analysis

State of Washington

Unemployment Insurance: Administration, Taxation, and Claimant Assistance

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Mike Steenhout, Primary Author

List of Acronyms

(AHCM)	Average High Cost Multiple
(BCR)	Benefit Cost Ratio
(ESD)	Employment Security Department
(FIRE)	Finance, Insurance, and Real Estate Industries
(FUTA)	Federal Unemployment Tax Act
(IUR)	Insured Unemployment Rate
(RCW)	Revised Code of Washington
(SIC)	Standard Industrial Codes
(UI)	Unemployment Insurance
(WAC)	Washington Administrative Code

Foreword

The State of Washington Unemployment Insurance: Administration, Taxation, and Claimant Assistance study is designed to provide readers with information regarding the administrative, tax, and benefit structures within the Unemployment Insurance (UI) Program of Washington State. Included in this report are a brief history of the UI Program, the UI Trust Fund from a solvency and adequacy standpoint, employer taxation and related information, and demographic information about UI claimants and trends in collecting unemployment insurance benefits.

Please contact Mike Steenhout at (360) 902-9340 or msteenhout@esd.wa.gov or Bob Wagner at (360) 902-9591 or rwagner@esd.wa.gov if you have any questions or comments regarding this report.

Our Mission Statement

Agency Mission: The mission of the Employment Security Department is to help people succeed throughout their working lives. The department accomplishes this by supporting workers during times of unemployment, by connecting job seekers with employers, and providing business and individuals with the information they need to adapt to a changing economy.

Agency Vision: To be the best Employment Security Department in the United States. We will accomplish this by:

- Customer Focus.** Unwavering attention to serving our customer needs.
- Partnership.** Authentic and creative partnerships with business, labor, communities, and other governmental entities.
- Empowered People.** A staff with the knowledge, authority, and tools necessary to move people to work.
- Quality Improvement.** Making Quality Improvement the way we do our work.
- Leadership.** Providing leadership in guiding the future of workforce development.
- Integration.** An integrated approach to planning, the use of information, and service delivery at every level.

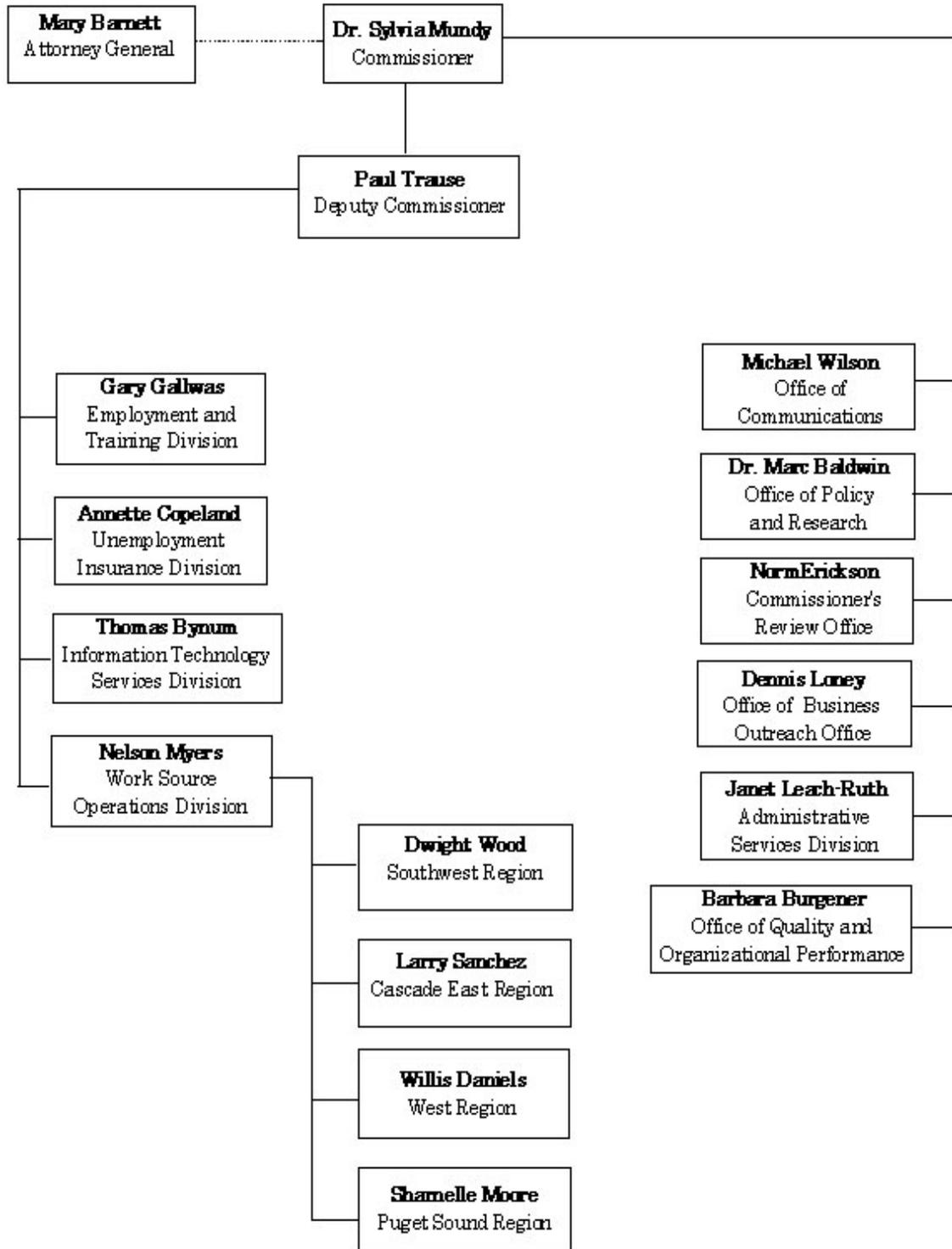
Agency Core Values: The Core Values of the department are expressed in the words *People*, *Service* and *Integrity*.

- People.** Individual Dignity.
Teamwork.
- Service.** Responsiveness and Effort.
Quality Results.
- Integrity.** Open, Honest Communication.
Equity and Fairness.

The mission of the Unemployment Insurance Program is to enhance the well being of the state workforce and business community through the timely and equitable payment of benefits and the collection of taxes and overpayments. The program promotes economic security for individuals, their families and their communities, and assists employers to maintain a stable workforce.

The mission of the Unemployment Insurance (UI) Program supports the goals of the Employment Security Department in its dedication to the Agency Vision and Core Values.

Employment Security Department Organizational Chart



Introduction

“Very few of the world’s workers benefit from unemployment protection and those that do are mainly concentrated in the industrial countries” (ILO, 2000:147). In fact, it is estimated that just one-quarter of the world’s unemployed receive some type of unemployment benefits (ILO, 2000).

In the State of Washington, unemployment insurance is designed to provide partial wage replacement for workers who are unemployed through no fault of their own. An additional objective of unemployment insurance is to provide economic stimulus during economic downturns by helping to maintain the purchasing power of the unemployed.

Unemployment insurance results from a partnership between the State of Washington and the federal government. Federal law governs the administration of the basic program, while state law addresses individual eligibility. The program is financed through federal and state employer taxes. The State of Washington’s Unemployment Insurance Program is administered under the Employment Security Act, Title 50 of the Revised Code of Washington (RCW).

This report summarizes statistical information for the State of Washington’s Unemployment Insurance Program during the calendar year of 2001. The report focuses upon four primary areas. First, we will briefly cover the history of unemployment insurance in the State of Washington, including a description of our existing experience rating system. Second, we will discuss the State of Washington’s unemployment insurance trust fund, and its adequacy to support a sudden increase in claims. Third, we will explore employer taxation, and how the taxes paid by employers fund our unemployment system. Fourth, we will explore the demographics of our claimants and various trends displayed while collecting unemployment benefits.

Throughout our analysis, we will take into consideration how figures in the State of Washington compare over time, nationally, across different industries, and the impact that economic recessions have had on our system. The information presented in this study was compiled primarily

Table 1. National Recessions Since 1937

Start	Finish
May-37	June-38
February-45	October-45
November-48	October-49
July-53	May-54
August-57	April-58
April-60	February-61
December-69	November-70
November-73	March-75
January-80	July-80
July-81	November-82
July-90	March-91
March-01	(unknown)

Source: National Bureau of Economic Research.

from state unemployment insurance employer and claimant records, the U.S. Department of Labor, and U.S. Bureau of Labor Statistics. The information describing qualified claimants is based on unduplicated individuals, excluding ineligible and cancelled claims.¹ Industry specifications are based on the primary employer industry classification for the claimant at the time of separation. Although the most up-to-date information is presented in this report, some 2001 figures were not available due to benefit year not being expired, or other uncontrollable factors at the time this document was created. In many cases 2001 figures are based on the end of the third quarter (i.e. the first nine months of the calendar year). In the event 2001 figures were not available, we used the most up-to-date statistics available to us.

(1) To qualify, a claimant must have worked in a covered industry for at least 680 hours during their base year.

Executive Summary

- ❑ In 2001, 375,885 claimants applied for and were found eligible to receive unemployment compensation totaling over \$1.4 billion dollars. This represented a 28% increase in claimants from a 2000 total of 293,988.
- ❑ Since 1947, there has been a strong correlation between the national and the State of Washington's insured unemployment rate (.83), with the State of Washington being consistently higher. In 2001, the State of Washington's IUR rose sixth-tenths of a percent to 3.3%. This rate was a full 1.0% higher than the average national unemployment rate of 2.3%.
- ❑ The rate of the State of Washington's total workforce covered by unemployment insurance has been on a slow upward trend since 1978, when it was at 78%, rising 7 percentage points to 85% coverage in 2001.
- ❑ The State of Washington finished 2001 with a solvent fund. The trust fund reserve ratio was within optimal levels at 2.45%, while the average high cost multiple was close to the most ideal level of 1.0, at .91. The actual dollar balance in the trust dropped \$215 million from its 2000 level of \$1.96 billion, to \$1.75 billion in 2001.
- ❑ In 1999, employers paid \$141.4 million in taxes under the Federal Unemployment Tax Act (FUTA), for a total of more than \$1.8 billion between 1981-1999. During this same period, the State of Washington received back over \$1.7 billion in administrative grants, and extended and emergency benefit payments (representing nearly 95% of taxes levied). Between 1981-1983, and in 1992 and 1994, the State of Washington received back more FUTA money than it contributed as the result of entering extended benefit and emergency unemployment compensation periods.
- ❑ Between 1981-1999, FUTA taxes represented just 15% of the overall employer tax burden.
- ❑ In 2001, the State of Washington employer taxable wage base rose 9% to \$26,600. This amount is the second highest in the nation, with only Hawaii having a higher rate of \$28,400.
- ❑ The State of Washington saw a 64% spike in ineffective charges in fiscal year 2001, rising \$47 million to nearly \$120 million.
- ❑ As a percentage of total covered wages, the average employer tax rate, and benefits paid, were 1.19% and 1.11% respectively in 2000. These figures were all slightly lower than 1999 levels.
- ❑ The State of Washington's unemployment insurance system paid out a greater amount in benefits (annually) than it collected from employers 26 times (years) between 1939-2000. This fact demonstrates the importance of building trust fund reserves during times of economic growth, thereby allowing a reserve to draw from during economic downturns.
- ❑ In 2000, the average claimant replacement wage and employer taxable to total covered wage ratios were .40 and .53 respectively. These figures have remained relatively stable since these ratios were first indexed in July of 1971.
- ❑ The claimant demographics of age, race, and gender did not change significantly between 1998-2001. Additionally, the percentage of veterans served and the citizenship status of claimants experienced no notable change. However, there was a slight increase from 2000 to 2001 in the number of claimants who have had at least some college education.
- ❑ In 2001, many industries saw solid increases in claims, with the computer services industry experiencing the largest increase, at 197%. Only the aircraft industry saw a significant 37% decrease in claims.

- ❑ In 2001, the average claimant weekly benefit amount was \$301, and the maximum benefits payable amount was \$8,207. Both the highest average weekly benefit and maximum benefit payable amounts were paid to claimants choosing not to report their race (4.4% of beneficiaries). For those who did identify their race, whites had the highest payment amounts overall for males, while Asian-Pacific Islanders had the highest payments for females. Hispanics had the lowest payment amounts for both males and females.
- ❑ In 2000, the average duration of a claim was 16 weeks, while the average claimant could of potentially claimed 26 weeks of benefits. For those who exhausted their benefits, the average claimant was paid a total of 25 weeks of compensation. Claimants in the finance, insurance, real estate, fishing, and aircraft industries have consistently longer claim duration than other industries, while the lumber and food processing industries typically have the shortest duration.
- ❑ For claimants filing claims in 2000, 29% exhausted their benefits, a 6 percent point reduction from the 1999 rate of 35%. The fishing industry tends to have the largest percentage of claimants exhausting their benefits (38% in 2000), while the lumber industry had the lowest rate of exhaustion (14% in 2000).

Unemployment Insurance in the State of Washington

In 1935, to alleviate the economic strife of the Great Depression, Congress passed the Social Security Act. In addition to establishing pensions for the elderly and relief for the unemployed, the act provided for each state to establish an unemployment insurance benefits system for its citizens. Since the late 1930s, unemployment insurance programs have operated side-by-side as major parts of the nation's social safety net.

The State of Washington Employment Security Department (ESD) was established in 1937 to implement and provide the services covered in the Social Security Act. Today, the State of Washington's Unemployment Insurance (UI) program offers the first economic line of defense against the effects of unemployment. By payments to laid-off workers, it ensures that at least a proportion of the necessities of life (food, shelter and clothing) can be obtained while a search for work takes place.

Unemployment insurance is funded by payroll taxes paid by employers. Generally speaking, the amount each employer pays depends on the number of their employees who actually receive benefits from the program. The money to pay for the administration of national and state Unemployment Insurance programs comes from a federal tax under the Federal Unemployment Tax Act (FUTA). In extreme cases of high unemployment, the FUTA tax is also used for the payment of extended benefits. In the state of Washington, neither of these taxes is deducted from the payroll checks of employees.

The state laws governing unemployment insurance are found in The Employment Security Act, Title 50 of the Revised Code of Washington (RCW). These laws give ESD broad authority to administer the program through the establishment of regulations. These regulations, which carry the same weight as the laws, are contained in Title 192 of the Washington Administrative Code (WAC) and are the department's interpretation of the law. Administrative appeals, review decisions and court cases also result in department policies and procedures for the administration of the program.

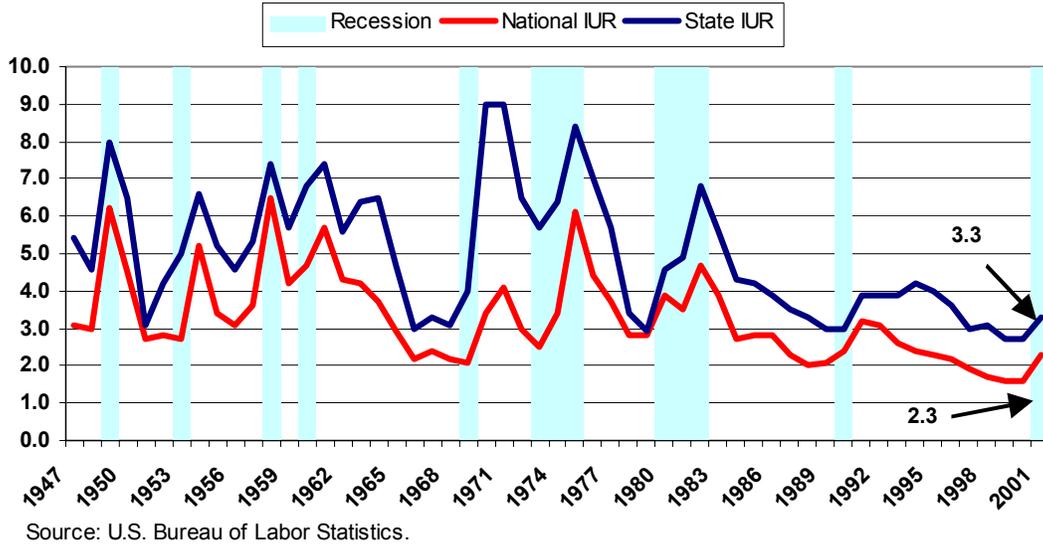
As in any insurance program, anyone may file a claim, but only claims that meet all eligibility requirements of the program are paid. UI benefits

are intended to help workers who are unemployed through no fault of their own to temporarily meet expenses while looking for work; benefits are not paid based on financial need. However, the preamble of the Employment Security Act directs the department to liberally interpret the Act so the suffering of the unemployed is kept to a minimum. Agency employees must provide service to both claimants and employers within this spirit of the Act.

The State of Washington had an average insured unemployment rate (IUR) of 3.3% in 2001, an increase of sixth-tenths of a percent from 2.7% in 2000, and a full percentage point higher than the 2001 national average of 2.3%. The IUR is the rate of unemployment among workers covered by the State of Washington's unemployment system. A total of 375,885 people filed unemployment claims in 2001, up 28% from 293,988 in 2000.

Figure one (next page) displays state and national IUR rates since 1947. Evident by the chart, there is a strong correlation (.83) between state and national figures, with the State of Washington being consistently higher than the national average.

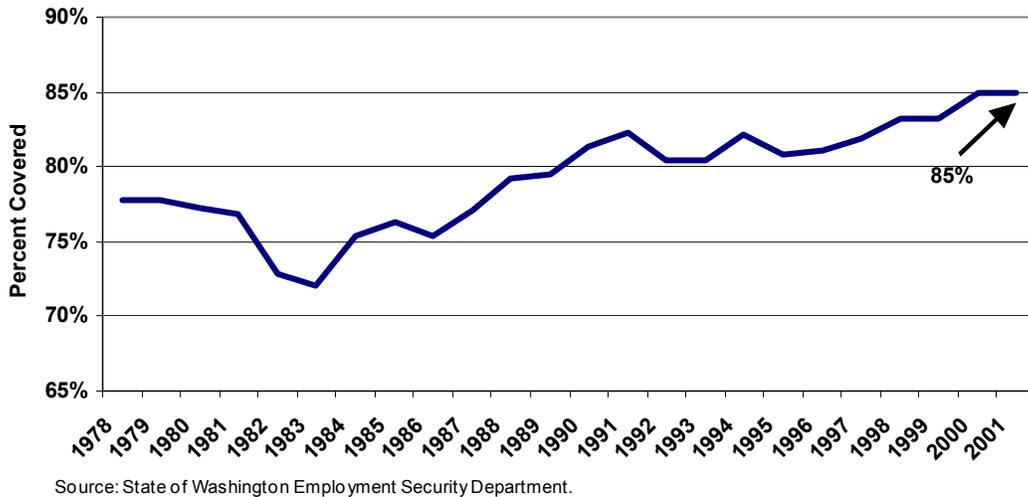
Figure 1. State of Washington and National Insured Unemployment Rates (1947-2001)



As shown in figure two, the percentage of the total civilian workforce covered by unemployment insurance in the State of Washington remained at 85% in 2001, consistent with the year 2000 level. Although gradually climbing, this rate of

coverage has changed little overall since 1978, when the rate hovered near 78%. On a national level, an average of 90% of the total civilian workforce were covered by unemployment insurance in 2001.

Figure 2. Ratio of Covered Workers to the Total Civilian Labor Force, as a Percentage (1978-2001)

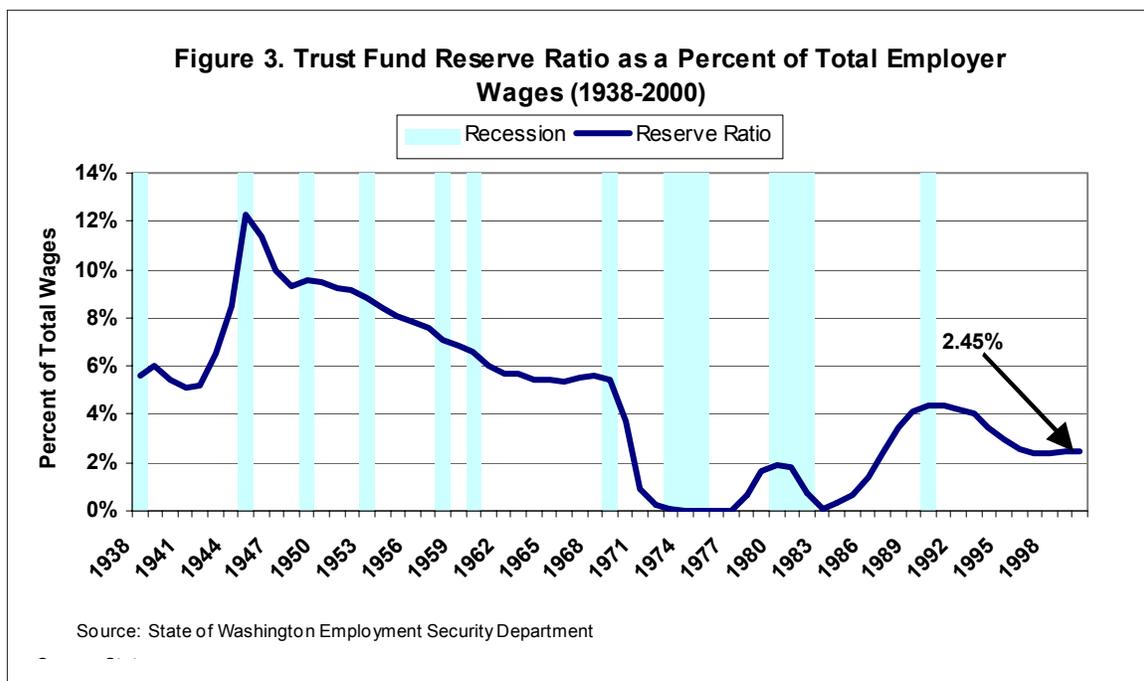


Trust Fund Adequacy and Experience Rating

The purpose of an unemployment trust fund is to ensure the State of Washington has an adequate reserve of money to pay benefits to eligible claimants during economic downturns, and to stabilize year-to-year fluctuations in employer tax rates. This phenomenon is commonly referred to as having a “solvent” trust fund. Historically, how the federal and state governments have viewed and measured trust fund solvency, and the consequences of trust funds becoming insolvent, have gone through considerable change. One thing that experts have learned for certain, however, is that trust fund solvency cannot be measured simply by the amount of actual dollars a state has in its trust fund day-to-day. Rather, one must consider historical trends in benefit costs and recessions. Furthermore, experts have learned that a solvent fund is one that is based on forward funding methodology, ensuring that reserves grow

during times of economic growth, thereby ensuring adequate funds exist to support the unemployment system during times of economic downturn and recession. In effect, the trust fund should act as counter cyclical stabilizer for the state’s economy by increasing consumer spending during economic downturns.

Today, a common measurement of trust fund solvency, the reserve ratio, is a calculation of the total dollars in the trust fund divided by total covered wages. Figure three displays the significant fluctuation of the State of Washington’s trust fund reserve ratio since 1938, presented as a percent of total covered wages. Presenting the ratio as a percent of total wages provides better measurement for year-to-year comparison. An optimal trust fund ratio is between 2.1% and 2.9% of total covered wages. In 2000, the State of Washington’s trust fund ratio was 2.45%.



As can be seen in figure three, systems prior to 1984 were typically over or under financed. Additionally, periods of recession do not seem to have an apparent impact on the reserve ratio. Prior to 1947, the system lacked a mechanism by which to reduce revenues. A uniform 2.7% tax rate and low unemployment during the war years allowed the trust fund to balloon to over 12% of total wages.

This prompted the enactment of an experience rating system in 1947 to allow for the lowering of the average tax rate. The average tax rate for employers was reduced whenever the fund balance was equal to at least 4 times the previous year’s tax payments. Tax payments, however, are unrelated to benefit costs. From the end of 1946 to the end of 1970, the trust fund reserve ratio declined steadily from 12% to less than 4%.

In 1971, the State of Washington established a revised experience rating system based on an annual payroll decline and benefit ratio model. In times of surplus, defined as a reserve ratio greater than 4%, employers were taxed at a rate of no greater than 2.7%. When the reserve ratio fell below 3.5%, employers could be taxed at a maximum rate of 3.01%. This model soon proved ineffective, as revenues generated from the highest effective tax rate were lower than the average annual cost of benefits, resulting in the trust fund dipping into negative territory several times between 1974-1984.

Because of several years of high unemployment, the State of Washington was required to secure loans from the federal government totaling \$149.4 million between 1972-77.² A subsequent loan in the amount of \$61.9 million was made in 1984, which was paid back within that same fiscal year, thus free of interest.³

Realizing the need for a more flexible and sound financing system for the unemployment insurance system, the State of Washington adopted an updated experience rating model in 1984, which established variable tax rates that would be revised annually. This principal model is still in place today. Under this current system, qualified employers are assigned to one of twenty rate classes, depending on the level of experience the employer has with unemployment (i.e. based on the amount of UI benefits collected by an organization's former employees), and their taxable wage base.⁴ There are also seven tax schedules, which shift upward and downward based on the level of the past year's trust fund reserve ratio. Qualified employers are taxed in relation to their experience with unemployment and their employees' taxable wages.⁵ Table two details these tax rates and schedules.

Rate Class	AA	A	B	C	D	E	F
1	0.47	0.47	0.57	0.97	1.47	1.87	2.47
2	0.47	0.47	0.77	1.17	1.67	2.07	2.67
3	0.57	0.57	0.97	1.37	1.77	2.27	2.87
4	0.57	0.73	1.11	1.51	1.90	2.40	2.98
5	0.72	0.92	1.30	1.70	2.09	2.59	3.08
6	0.91	1.11	1.49	1.89	2.29	2.69	3.18
7	1.00	1.29	1.69	2.08	2.48	2.88	3.27
8	1.19	1.48	1.88	2.27	2.67	3.07	3.47
9	1.37	1.67	2.07	2.47	2.87	3.27	3.66
10	1.56	1.86	2.26	2.66	3.06	3.46	3.86
11	1.84	2.14	2.45	2.85	3.25	3.66	3.95
12	2.03	2.33	2.64	3.04	3.44	3.85	4.15
13	2.22	2.52	2.83	3.23	3.64	4.04	4.34
14	2.40	2.71	3.02	3.43	3.83	4.24	4.54
15	2.68	2.90	3.21	3.62	4.02	4.43	4.63
16	2.87	3.09	3.49	3.81	4.22	4.53	4.73
17	3.27	3.47	3.77	4.17	4.57	4.87	4.97
18	3.67	3.87	4.17	4.57	4.87	4.97	5.17
19	4.07	4.27	4.57	4.97	5.07	5.17	5.37
20	5.40	5.40	5.40	5.40	5.40	5.40	5.40

The flexible rate schedule is designed to maintain the before mentioned optimal trust fund ratio of between 2.1% and 2.9% of total wages. When the fund is in this interval, the average tax rate of 2.2% under tax schedule A provides revenues approximating the state's average annual benefit costs. It also provides a trust fund capable of meeting recession costs approximating those of the

1980s and 1990s, when benefit costs were 2.38% of total wages. This is the equivalent of having 12 months of recession benefits in the trust fund. When the calculation of the trust fund ratio was performed on September 30, 2001 to determine the tax schedule for calendar year 2002, the ratio was 2.41%, slightly above the benefit cost rate during the past two recession periods.

(2) The federal government first established a loan account to provide loans to state trust funds in 1944. This authorization was allowed to expire in 1952 because no state trust fund became insolvent during this timeframe. The account was authorized again in 1954 and is still in place today.

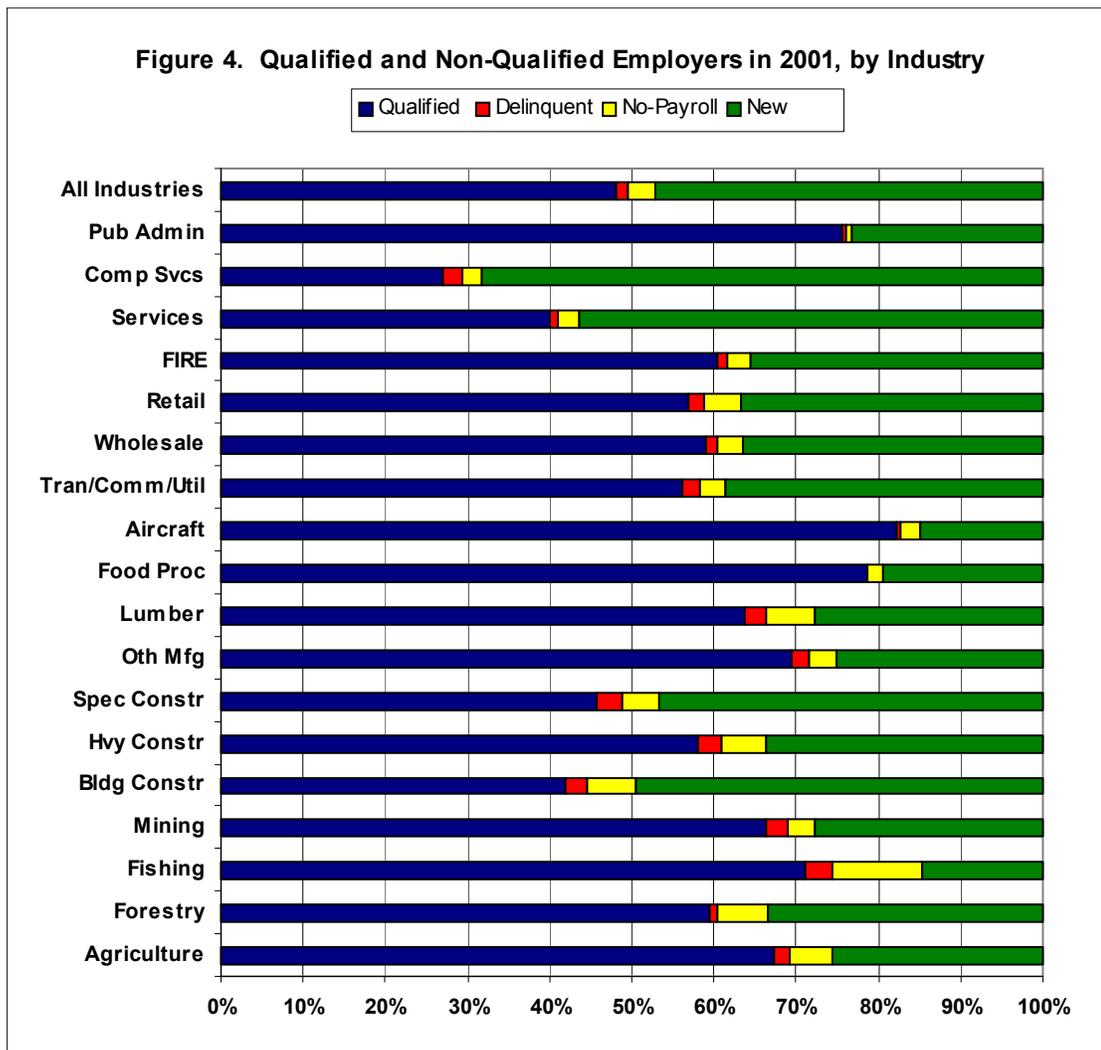
(3) Loans were provided to states interest free until 1981, when Congress enacted legislation that allowed an interest charge of up to 10 percent on loans not repaid within the same fiscal year borrowed.

(4) Between 1990 and 2000, the average trust fund reserve ratio was 3.25% of total wages.

(5) Qualified employers are employers whose employment history is of specific duration, and who are not delinquent either in filing their quarterly reports or in making payments.

Figure four displays qualified and non-qualified employer accounts for experience rating in 2001, as percentages, by major industry. Overall, 57% of employers were qualified for experience rating

in 2001, down 7% from 2000. 37% of employers were categorized as new employers, 4% as not having sufficient payroll history (no-payroll), and 2% as delinquent.



New businesses are those operating less than two years as of the April 1st proceeding the computation date. New businesses pay the industry average tax rate for the same type of businesses in the State of Washington. Businesses categorized as "no-payroll" employers, those which have at least four consecutive quarters of no employment during the previous four fiscal years also pay the average tax rate for businesses within their industry. Delinquent employers are those who have not filed quarterly reports on time, or have not paid the required taxes, interest and penalties in a timely fashion. All delinquent employers pay a flat 5.6% tax rate.

Table three displays the tax schedules in relation to the reserve ratio, with the average tax rate paid by employers when that schedule is in effect. One schedule (AA) decreases revenues if the fund

level is above the optimum interval of schedule A. There are five schedules (B, C, D, E, and F) to increase revenues if the fund level is below the optimum level.

Table 3. Tax Schedule Determination Model and Average Tax Rates

Tax Schedule	Trust Fund Reserve Ratio	Average Tax Rate
AA	2.90% and higher	2.00%
A	2.10% but less than 2.89%	2.20%
B	1.70% but less than 2.09%	2.51%
C	1.40% but less than 1.69%	2.89%
D	1.00% but less than 1.39%	3.26%
E	.70% but less than .99%	3.61%
F	Less than .70%	3.96%

Another common measure of trust fund solvency is the average high-cost multiple (AHCM). The AHCM is the ratio of the average of the three highest unemployment insurance benefit cost rates during any calendar year during the past 20 years, to the current trust fund ratio, without taking into account any incoming revenues. In effect, the AHCM measures how long the trust fund could pay out benefits during an average recession with-

out the benefit of employer contributions. Most unemployment insurance system experts feel an AHCM of at least 1.0 is optimal, which is the equivalent of having 12 months of recession level benefits in the trust fund.⁶ As shown in figure five, the State of Washington's AHCM measurement has been relatively stable since 1996, and was slightly below optimal levels in 2000 at 0.91.

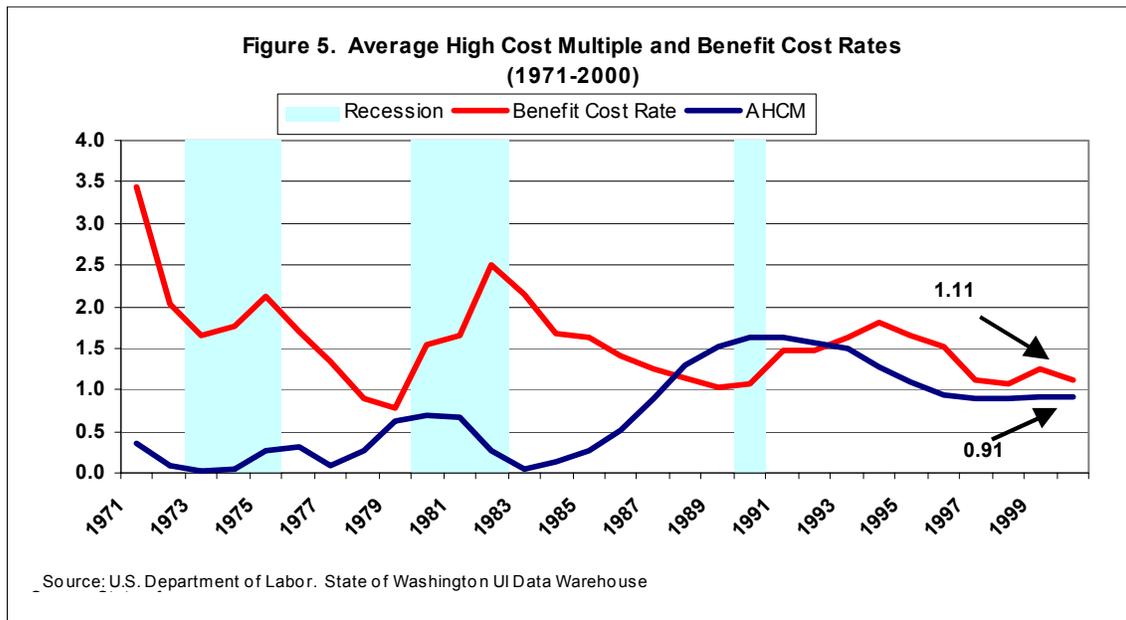
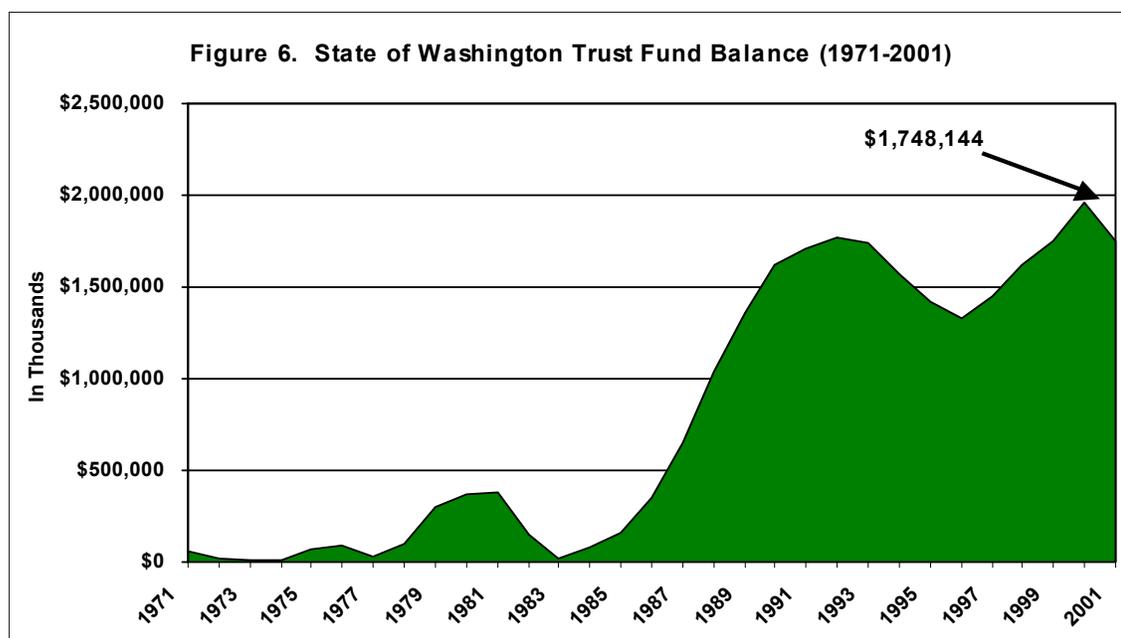


Figure five also displays the benefit cost rate (BCR), which is the ratio of total benefits paid to total covered wages. The BCR for calendar year 2000 was 1.11.

Figure six presents the trust fund balance in actual dollars from 1971 to 2001. The fund reached a peak year ending balance of \$1.99 billion in 2000, but decreased \$246 million to \$1.75 billion by the end of 2001.



(6) In past years, UI experts defined an AHCM of 1.5 as being optimal.

In sum, the State of Washington's unemployment system finished 2001 in good condition. The state is operating within the optimal tax schedule A, is maintaining a trust fund reserve ratio with optimal levels at 2.45%, and has maintained a close-to-ideal AHCM of .91. Based on these measurements, it seems clear that the system has adequate reserves to pay recession level benefits equal to those historically paid.

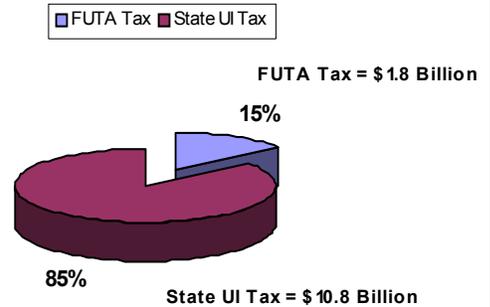
The Federal Unemployment Tax Act

The Federal Unemployment Tax Act (FUTA), Title 26 United States Code, Chapter 23, authorizes the federal government to levy an employer excise tax used to fund state employment security agencies. FUTA taxes cover the cost of administering the unemployment insurance and job service programs in all states. In addition, FUTA pays one-half of the cost of extended unemployment benefits, 100% of emergency unemployment benefits, and provides for a fund from which state governments may borrow to pay benefits in the event that they have depleted all available state funds.

The current FUTA tax liability is 6.2% of the first \$7,000 paid in wages to each employee during a calendar year. Employers in the State of Washington who pay state unemployment tax on a timely basis receive a 5.4% credit against their state unemployment tax, resulting in a net 0.8% FUTA tax.

Between 1981 and 1999, employers in the State of Washington had an average estimated annual FUTA tax liability of \$96.6 million, with a total estimated liability of over \$1.8 billion. As displayed in figure seven, these taxes represented 15% of employers' total employer tax liabilities of \$12.6 billion.

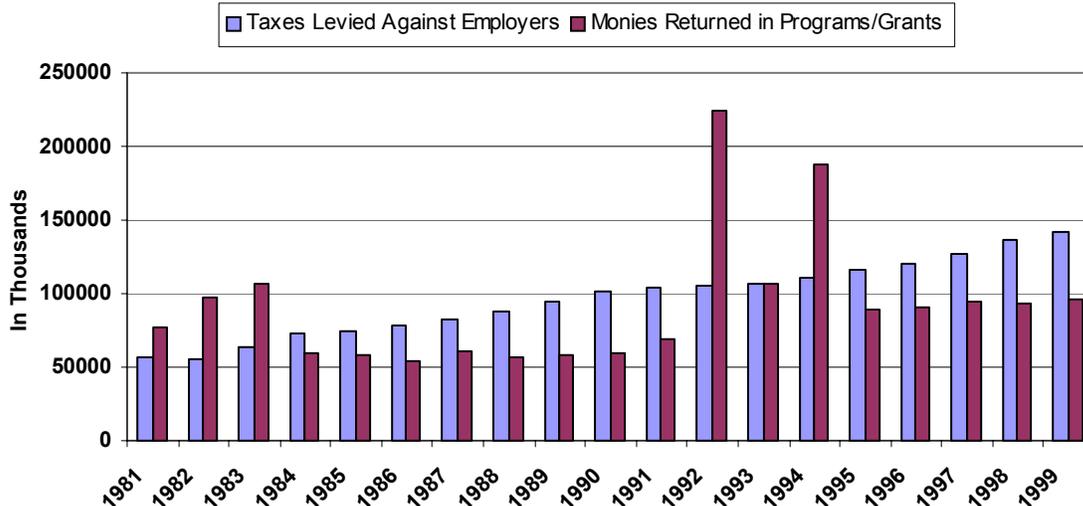
Figure 7. Total FUTA and State Employer Taxes Levied, as Percentages (1981-1999)



Source: U.S. Department of Labor.

During this same time frame, the State of Washington received back \$1.7 billion in administrative grants, and extended benefit and emergency unemployment payments. This amounted to nearly 95% of the total FUTA taxes levied.⁷ Figure eight displays annual totals of the FUTA taxes levied against employers, and the amount returned to the state in actual dollars, between 1981-1999.

Figure 8. Total FUTA Taxes Levied and Returned, Real Dollars (1981-1999)

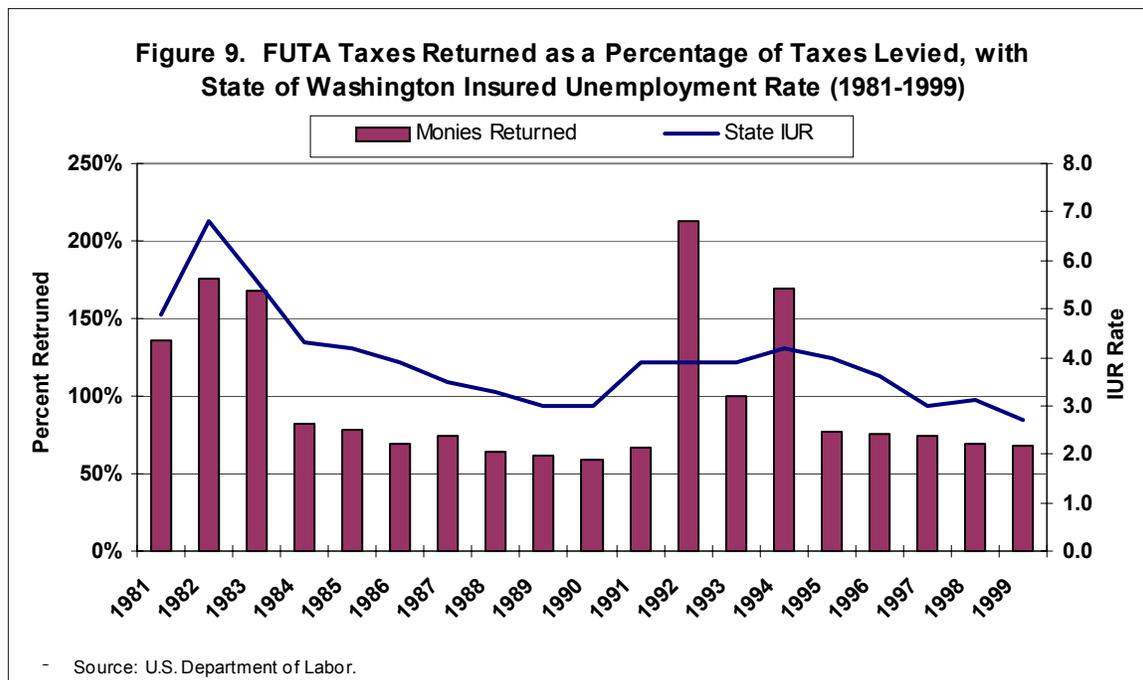


Source: U.S. Department of Labor.

(7) Taxes levied are not the actual dollars collected, which would be expected to be lower.

Figure nine displays the amount of FUTA taxes returned to state programs as a percentage of

total FUTA taxes paid by employers each year during this same time frame.



As displayed in table four (next page), the years during which FUTA returns to the State of Washington exceeded tax liability is the result of the state entering periods of extended benefits, and emergency unemployment claims. For these programs, the federal government covers 50% and 100% of benefit costs respectively.

Under the extended benefits program, up to 13 weeks of additional benefits are paid to claimants who have exhausted their regular benefits during times of high unemployment and recession.⁸ In times of significant economic downturn, states can enter into multiple “back-to-back” extended benefit periods.

Emergency unemployment benefits are administered under the Emergency Unemployment Compensation Act of 1991 (Public Law 102-164), as amended. This act provides up to 13 weeks of unemployment benefits to claimants who have exhausted their regular and extended benefits.

Table four also offers a detailed breakdown of FUTA tax dollars which were returned to the State of Washington in administrative grants between 1981-1999. In 1999, the State of Washington received over \$300,000 under the Employment Security Administration Funding Act of 1954, commonly known as the Reed Act. This act requires that the federal government distribute excess funds to states in proportion to covered payrolls.

(8) An Extended Benefits (EB) period begins when one of two “on” indicators occurs and at least 14 weeks have past since the close of any prior EB period. Trigger One is when the non-seasonally adjusted insured unemployment rate equals or exceeds 120% of the average of such rates for the corresponding 13-week period ending in each of the preceding two calendar years and equaled or exceeded 5%. Trigger two is when the average seasonally adjusted total unemployment for the past three months equals or exceeds 6.5% and the average rate for this same time period equals or exceeds 110% of the average for either or both of the corresponding 3-month periods in the two preceding calendar years. In the event that the seasonally adjusted unemployment rate equals or exceeds 8.0%, and the average rate for this same time period equals or exceeds 110% of the average for either or both of the corresponding 3-month periods in the two preceding calendar years, the state will enter into an additional 7-week period of extended benefits.

**Table 4. FUTA Taxes Levied and Returned in the State of Washington,
by Source, 1981-1999 (in \$Millions)**

A	B	C	D	E	F	G	H	I	J
Year	Total FUTA Taxes Levied	Administrative Grants			Total	Reed Act	Fed Share EB	EUC	Total FUTA Taxes Returned
		UI	ES	Other					
1981	56.1	30.7	15.7	0	46.4	0	30	NA	76.4
1982	55.5	36.5	13.3	0	49.8	0	47.6	NA	97.4
1983	63.6	41	13.3	0	54.3	0	52.8	NA	107.1
1984	72.3	39.9	12.3	2.8	54.9	0	4	NA	59
1985	75	41.4	12.4	3.2	56.9	0	1.5	NA	58.4
1986	78	38	12.7	3.5	54.2	0	0.1	NA	54.3
1987	82.1	37.9	12.3	4.1	54.4	0	6.4	NA	60.8
1988	88.1	39.8	12.7	4.2	56.6	0	0.1	NA	56.7
1989	95.2	42.3	12.7	3.6	58.6	0	0.1	NA	58.7
1990	101.4	42.1	13.1	4.7	59.9	0	0	NA	59.9
1991	103.5	50.1	13.9	5.3	69.4	0	0	0	69.4
1992	105	59.6	13.9	5.3	78.7	0	0	144.9	223.7
1993	106.8	66.7	14.1	5.5	86.3	0	0	20.1	106.4
1994	111.1	72.2	14.6	7.7	94.6	0	78.8	14.6	188
1995	116.6	68.1	15.5	5.9	89.4	0	0	0	89.4
1996	120	70.5	15.3	5.3	91	0	0	0	91
1997	127.3	69.6	14.6	10.2	94.3	0	0	0	94.3
1998	136.5	69.7	14.7	0	93.8	0	0	0	93.8
1999	141.4	71.6	14.9	9.7	96.2	0.3	0	0	96.5
Total	1835.5	987.7	262	81	1339.7	0.3	221.4	179.6	1741.2

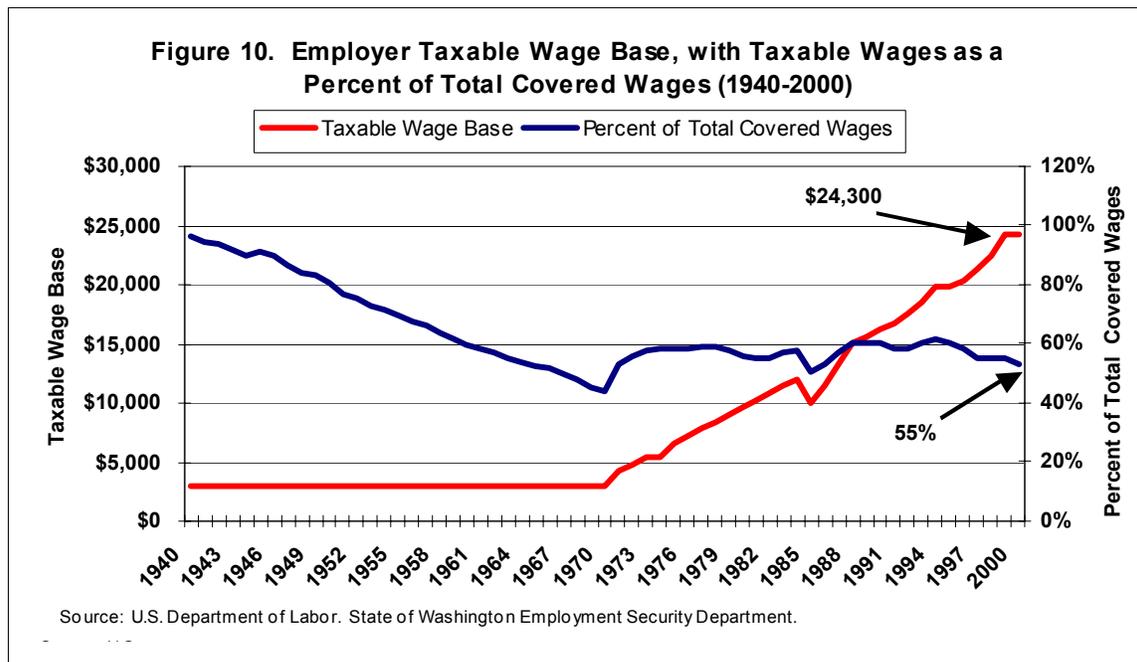
A - Calendar Year. B - Estimated FUTA Taxes levied. C - State administrative costs for Unemployment Insurance. D - Includes Employment Services, veterans employment programs, and Labor Market Information. E - Additional grants to State of Washington; F - Total administrative grants. G - Excess federal account balance received under Reed Act; H - Federal share of Extended Benefit payments. I - Emergency Unemployment Claim payments; J - Total FUTA tax dollars returned to State of Washington. NA = Program did not Exist.

Source Data: U.S. Department of Labor.

Employer Contributions

The taxable wage base in the State of Washington remained constant at \$3,000 from 1940 till 1970. In 1971, legislation allowed for a \$1,200 increase to \$4,200, then \$600 each year thereafter till the taxable wage base reached \$12,000 in 1984. At this point, the Legislature lowered the base by \$2,000 to \$10,000, and instituted a model to increase the taxable wage base by 15%, rounded down to the nearest \$100, until such time that the taxable wage base reached a level equal to

80% of the average annual wage in covered employment. Upon reaching this level, the taxable wage base is then adjusted annually to this 80% figure. This process, a form of indexing, allows the taxable wage base to maintain a constant correlation with the total wages, which was at 55% of the total covered wages in 2000. Figure ten details the history of the taxable wage base in the State of Washington from 1940 to 2000, overlaid by taxable wages as a percentage of total covered wages.



In 2001 the taxable wage base increased 9% to \$26,600, the second highest in the nation, with only Hawaii having a higher rate of \$28,400. In 2001, while the average taxable wage base nationwide was \$12,151, the median was just \$9,000. See appendix one for a complete list of taxable wage bases for all states between 1999-2002.

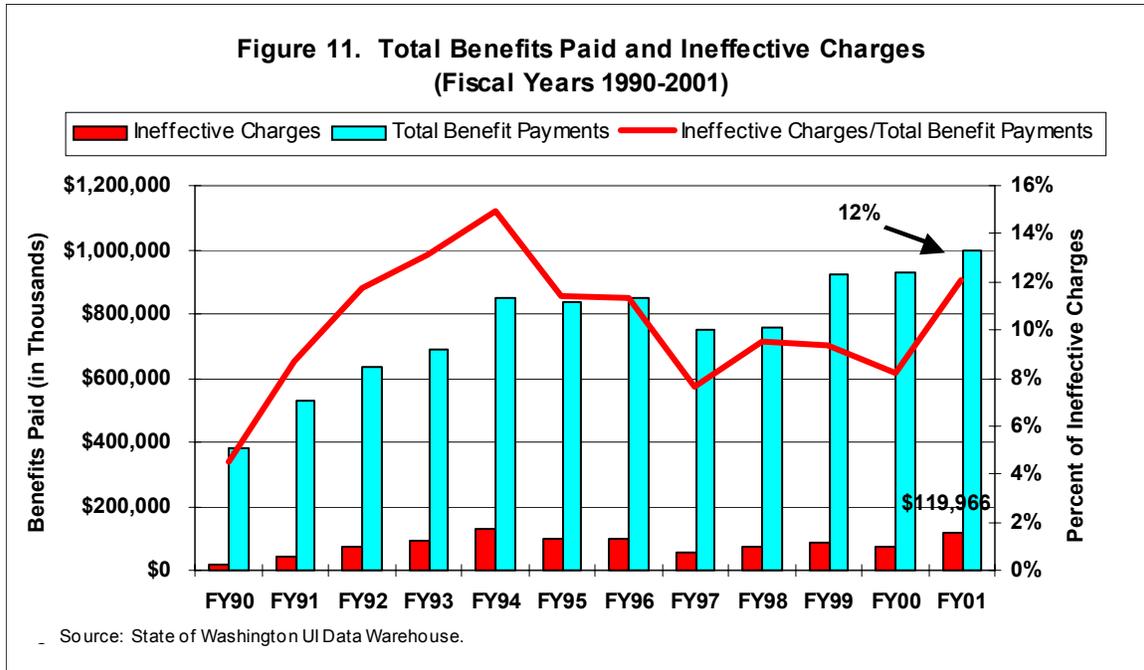
The primary reason for indexing the taxable wage base is to maintain trust fund solvency through consistent taxation. Historically, experts have learned that infrequent, ad hoc adjustments can lead to an erosion of a trust fund's financial sta-

bility. Benefit levels in the State of Washington are also indexed at a maximum of 70% of the average weekly wage (60% prior to 1993) and are continually increasing. Therefore, without an indexing feature to ensure annual adjustments to the taxable wage base, benefit payments would increase faster than incoming revenue, eventually depleting the trust fund.

An example of this played out in 2000, after the Legislature froze the taxable wage base at its 1999 level of \$24,300.

As displayed in figure eleven, freezing the taxable wage base caused a substantial 64% spike in ineffective charges, an increase of \$47 million over 2000 totals to nearly \$120 million in 2001.

Ineffective charges are defined simply as benefits that are paid in excess of 100% of the amount of funds in an employer's account.



A good snapshot of the overall tax burden on employers supporting the unemployment insurance system is to consider employer contributions as a percentage of total covered wages. Figure twelve presents these figures since 1940. In 2000,

contributions represented 1.2% of covered wages, and have been on a downward trend since the late eighties. The 2000 rate is also lower than the average of the past four decades of 1.7% of covered wages.

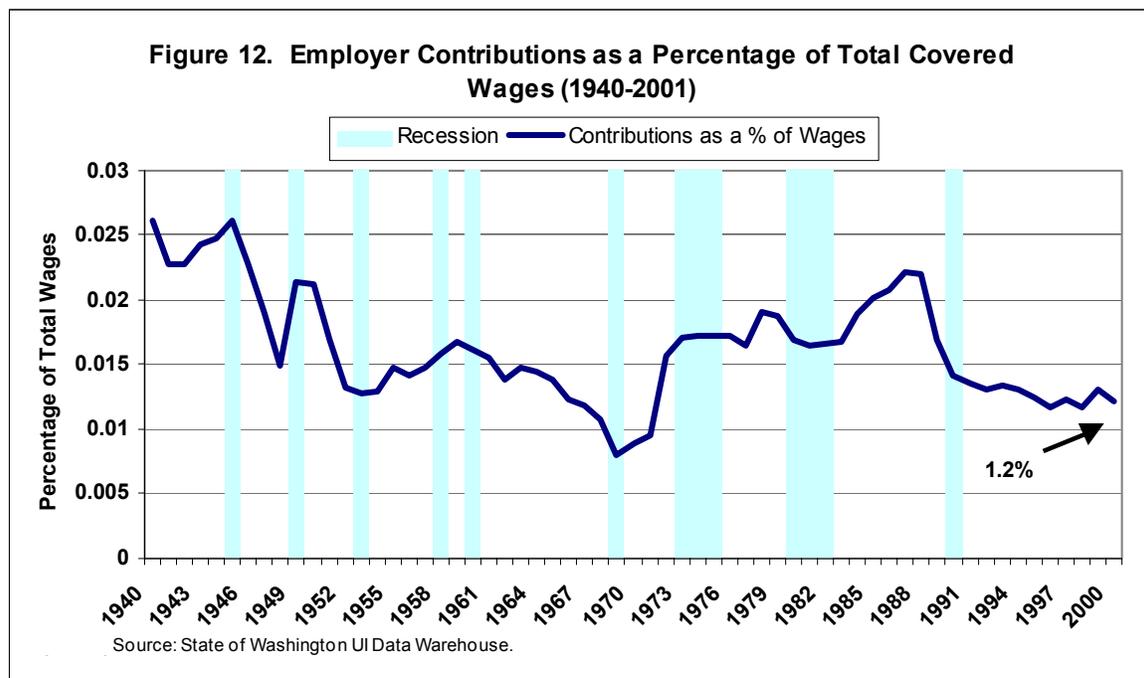
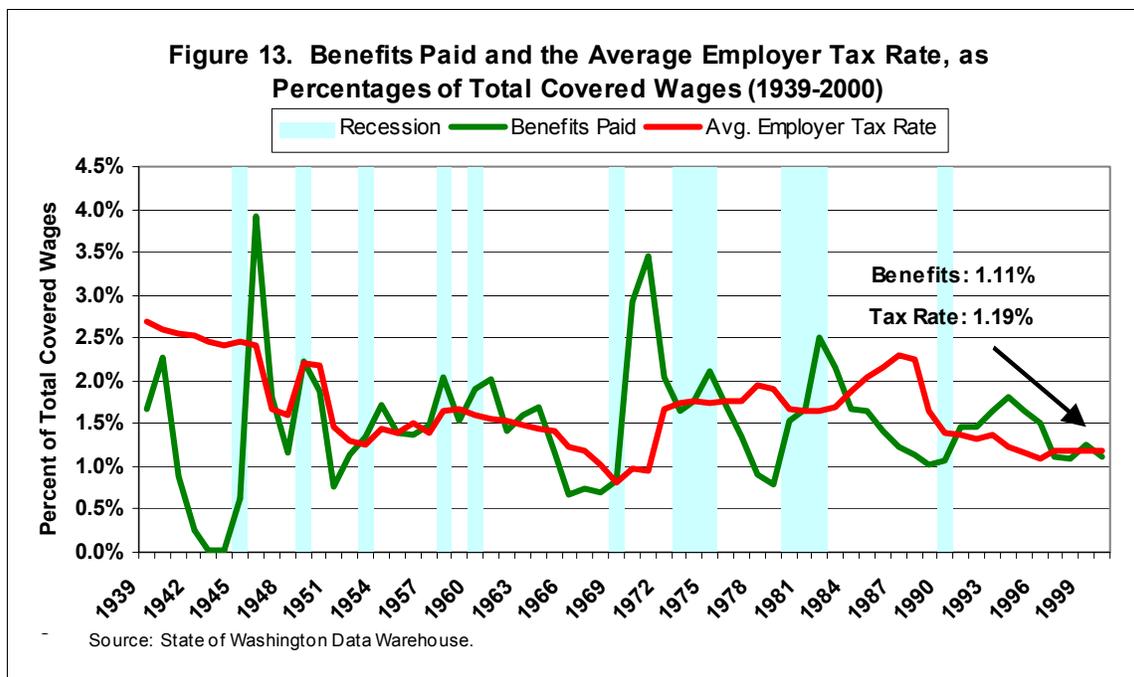


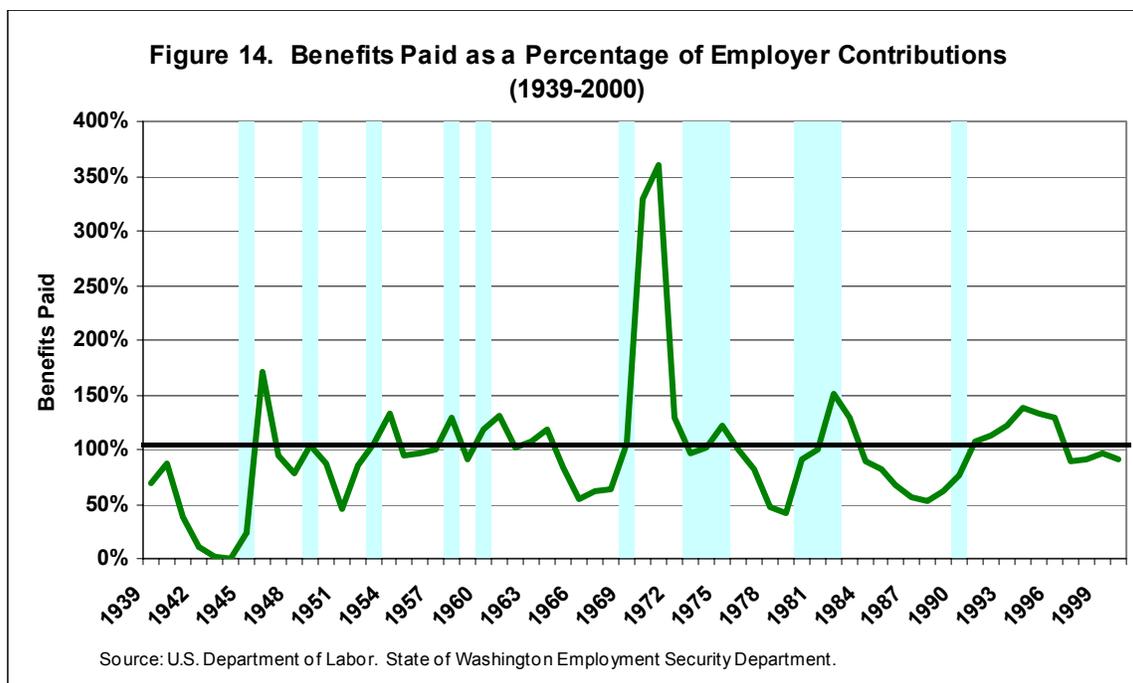
Figure thirteen presents the average benefits paid and average employer tax rate, as a percentage of total covered wages, since 1938. The chart illus-

trates how benefit level fluctuations are erratic due to recessions, yet the overall average employer tax rate remains relatively stable.



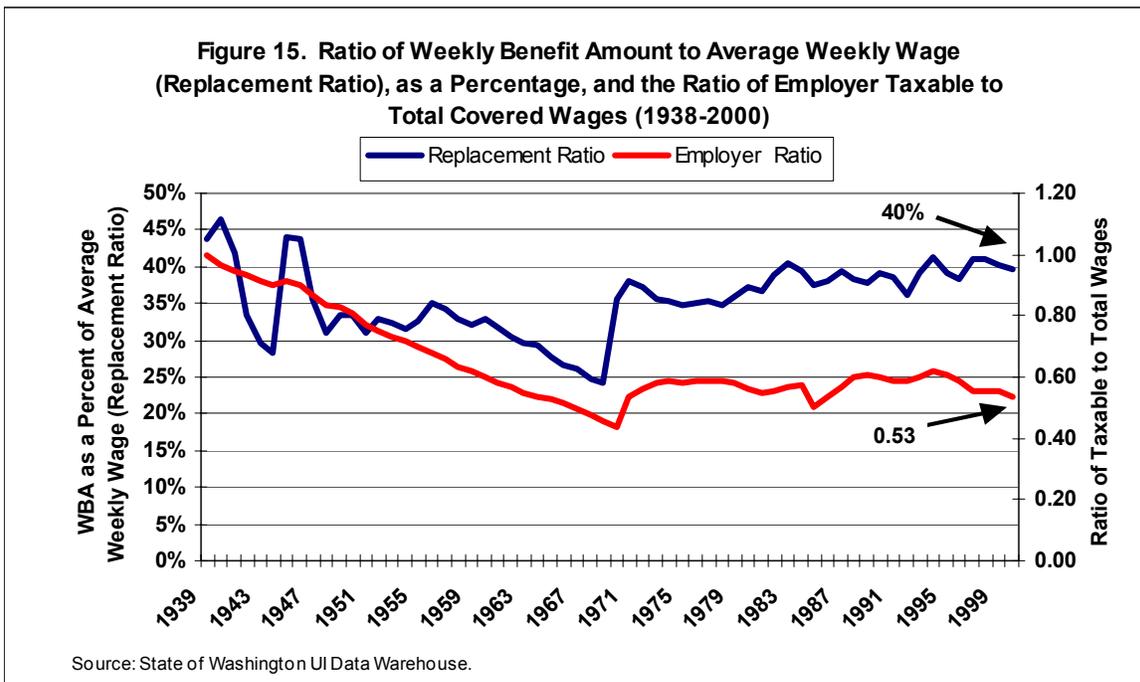
As displayed in figure fourteen, the State of Washington's unemployment insurance system paid out more than it took in (>100%) 26 times

between 1939 and 2000, hitting an all-time high in 1971, when benefits paid out represented 360% of contributions collected.



This further demonstrates the importance of building reserves in the state's trust fund to balance the historical irregularity of benefit payment amounts. Figure fifteen shows the historically

stable ratio between the average weekly benefit amount and weekly wage, and employer taxable to total wages. This chart further demonstrates the impact of indexing the weekly benefit amount and taxable wage base.



The Insured Unemployed

In 2001, 375,885 people filed and were found eligible to receive unemployment benefits, an increase of 28% from 2000. Figure sixteen displays

total initial (new) claim counts since 1998, with the insured unemployment rate.

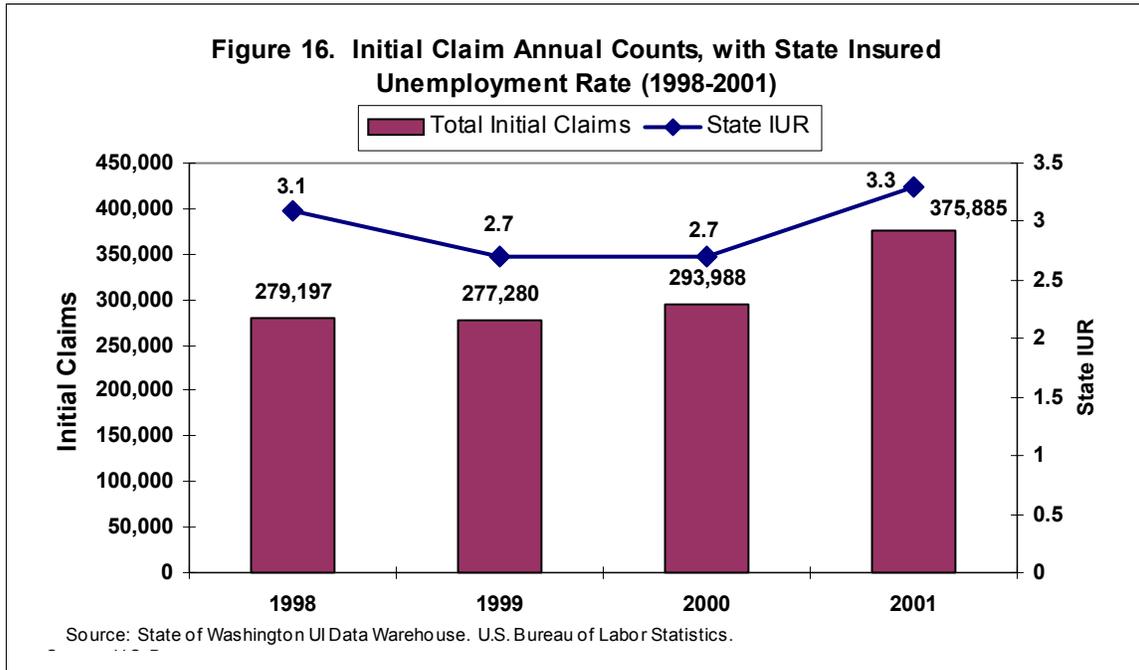


Figure seventeen displays the historical trend of total benefit weeks paid since 1980, with the insured unemployment rate. In 2001, the 375,885

claimants claimed a total of over 4.8 million weeks of benefits, for a grand total of over \$1.4 billion in benefit payments.

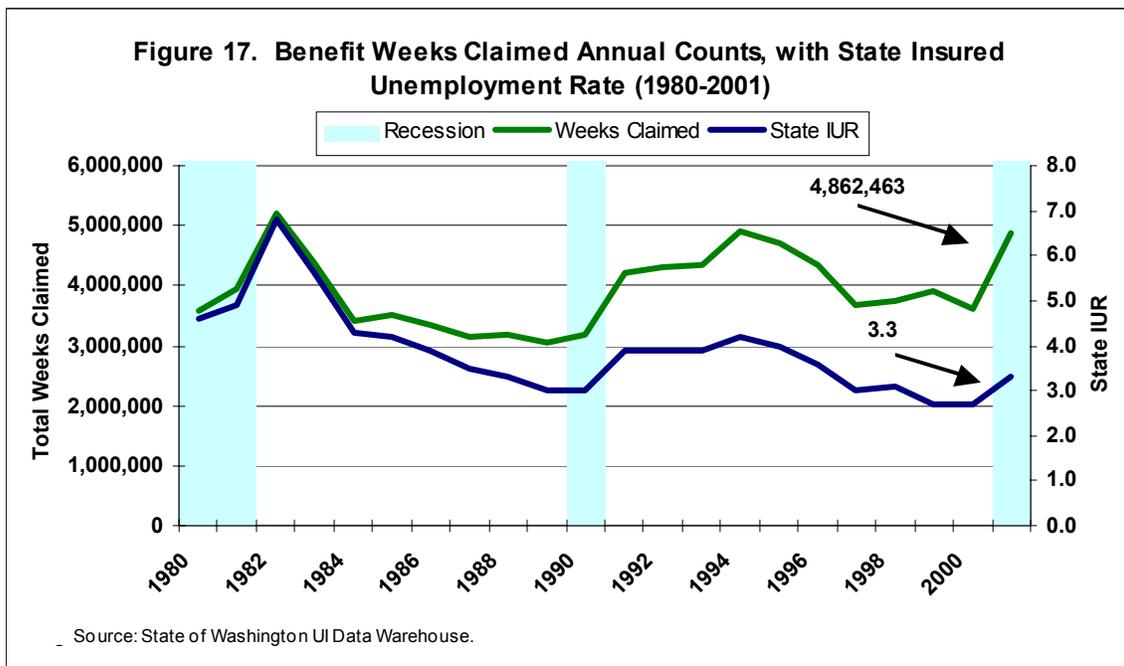


Table five presents basic demographics of claimants from 1998-2001, including gender, race, and age.⁹ Claimants demographics in 2001 are very

similar to those of past years, with the average claimant being a thirty-nine year old white male.

Table 5. Total Eligible UI Claimants, with Demographics (1998-2001)									
	1998		1999		2000		2001		
Male	164,540	63%	158,976	62%	174,222	63%	221,257	64%	
Female	95,807	37%	98,882	38%	103,557	37%	126,632	36%	
Total	260,347	100%	257,858	100%	277,779	100%	347,889	100%	
Race and Gender (Total and Percentage)									
	1998		1999		2000		2001		
	Male	Female	Male	Female	Male	Female	Male	Female	
White	126,149 (77%)	71,058 (74%)	119,465 (75%)	72,034 (73%)	130,907 (75%)	75,761 (73%)	165,923 (75%)	91,468 (72%)	
Black	6,546 (4%)	4,115 (4%)	6,381 (4%)	4,451 (5%)	7,217 (4%)	4,672 (5%)	8,916 (4%)	5,532 (4%)	
API	5,533 (3%)	4,965 (5%)	6,019 (4%)	4,842 (5%)	6,349 (4%)	5,321 (5%)	10,038 (5%)	8,383 (7%)	
AI/AN	2,201 (1%)	1,601 (2%)	2,452 (2%)	1,895 (2%)	3,149 (2%)	2,365 (2%)	3,884 (2%)	2,855 (2%)	
Hispanic	19,193 (12%)	10,601 (11%)	18,797 (12%)	11,608 (12%)	20,150 (12%)	12,048 (12%)	22,663 (10%)	13,246 (10%)	
Did not report	4,917 (3%)	3,467 (4%)	5,862 (4%)	4,052 (4%)	6,450 (4%)	3,390 (3%)	9,833 (4%)	5,148 (4%)	
Average Age at Effective Date of Claim									
	1998		1999		2000		2001		
	Male	Female	Male	Female	Male	Female	Male	Female	
White	38	39	38	39	39	39	39	39	
Black	36	35	37	35	37	35	37	35	
API	37	40	37	39	38	39	37	39	
AI/AN	37	38	38	37	37	37	37	37	
Hispanic	36	36	37	36	37	36	37	36	
Did not report	37	38	37	38	38	38	38	38	
Races Combined	38	38	38	38	38	38	38	38	
Age Grouping at Effective Date of Claim (Total and Percentage)									
	1998		1999		2000		2001		
	Male	Female	Male	Female	Male	Female	Male	Female	
Under 21	6,847 (4%)	4,463 (5%)	6,730 (4%)	4,601 (5%)	7,418 (4%)	5,238 (5%)	8723 (4%)	5,920 (5%)	
21-25	20,810 (13%)	11,615 (12%)	20,381 (13%)	12,575 (13%)	22,517 (13%)	13,307 (13%)	29132 (13%)	16,985 (13%)	
26-35	49,916 (30%)	27,272 (29%)	46,943 (30%)	27,944 (28%)	49,694 (29%)	28,448 (27%)	63488 (29%)	35,262 (28%)	
36-45	46,481 (28%)	27,384 (29%)	45,047 (28%)	28,192 (29%)	49,490 (28%)	29,147 (28%)	61170 (28%)	34,583 (27%)	
46-55	26,136 (16%)	16,742 (18%)	25,749 (16%)	17,068 (17%)	29,576 (17%)	18,366 (18%)	38507 (17%)	22,744 (18%)	
Over 55	13,998 (9%)	8,127 (9%)	14,116 (9%)	8,501 (9%)	15,526 (9%)	9,051 (9%)	20237 (9%)	11,138 (9%)	

Note: API Stands for Asian-Pacific Islander and AI/AN includes American Indians and Alaska Natives

Table six details claimant veteran and citizen status, and education level. Again, there was little change in these figures from past years, with the

exception of a rise in the number of college educated claimants in 2001.

Table 6. Claimant Veteran and Citizen Status, and Level of Education (1998-2001)									
Veteran Status									
	1998		1999		2000		2001		
	Veteran	Non-Veteran	Veteran	Non-Veteran	Veteran	Non-Veteran	Veteran	Non-Veteran	
Male	30,374 (19%)	132,158 (81%)	29,670 (19%)	127,932 (81%)	33,110 (19%)	141,112 (81%)	41,249 (19%)	180,008 (81%)	
Female	2,004 (2%)	91,944 (98%)	2,045 (2%)	95,698 (98%)	2,352 (2%)	101,205 (98%)	2,825 (2%)	123,807 (98%)	
Combined	32,378 (13%)	224,102 (87%)	31,715 (12%)	223,630 (88%)	35,462 (13%)	242,317 (87%)	44,074 (13%)	303,815 (87%)	
Citizenship Status									
	1998		1999		2000		2001		
	Citizen	Non-Citizen	Citizen	Non-Citizen	Citizen	Non-Citizen	Citizen	Non-Citizen	
Male	149,076 (91%)	15,460 (9%)	144,234 (91%)	14,742 (9%)	159,259 (91%)	14,963 (9%)	203,125 (92%)	18,132 (8%)	
Female	87,289 (91%)	8,514 (9%)	90,090 (91%)	8,792 (9%)	94,568 (91%)	8,989 (9%)	115,352 (91%)	11,280 (9%)	
Combined	236,365 (91%)	23,974 (9%)	234,324 (91%)	23,534 (9%)	253,827 (91%)	23,952 (9%)	318,477 (92%)	29,412 (8%)	
Education Level									
	1998		1999		2000		2001		
	Male	Female	Male	Female	Male	Female	Male	Female	
No High School	3,025 (2%)	1,452 (2%)	2,187 (1%)	1,070 (1%)	1,756 (1%)	781 (1%)	1,641 (1%)	794 (1%)	
Some High School	28,055 (17%)	14,711 (16%)	26,822 (17%)	15,742 (16%)	29,060 (17%)	16,379 (16%)	32,259 (15%)	17,738 (14%)	
High School Degree	65,991 (41%)	33,642 (36%)	63,114 (40%)	34,996 (36%)	71,041 (41%)	37,192 (36%)	86,532 (39%)	42,915 (34%)	
GED	9,130 (6%)	4,907 (5%)	8,375 (5%)	5,025 (5%)	9,066 (5%)	5,342 (5%)	10,510 (5%)	5,779 (5%)	
Some College	39,392 (24%)	26,545 (28%)	40,168 (25%)	28,109 (29%)	43,283 (25%)	29,992 (29%)	66,473 (30%)	42,906 (34%)	
AA	5,232 (3%)	4,097 (4%)	4,888 (3%)	3,974 (4%)	4,933 (3%)	3,613 (3%)	6,528 (3%)	4,591 (4%)	
Bachelors Degree	7,695 (5%)	5,770 (6%)	8,485 (5%)	6,246 (6%)	10,901 (6%)	7,528 (7%)	1,2815 (6%)	8,990 (7%)	
Masters Degree	2,022 (1%)	1,548 (2%)	2,141 (1%)	1,647 (2%)	2,617 (2%)	1,855 (2%)	2,837 (1%)	1,968 (2%)	
Doctorate Degree	2,185 (1%)	1,369 (1%)	1,615 (1%)	997 (1%)	1,565 (1%)	874 (1%)	1,661 (1%)	951 (1%)	

(9) For the purposes of this document, Hispanic ethnicity is presented as a race, without duplication of individuals in another racial category.

Table seven presents the language preference noted by claimants when filing an initial (new) claim in 2001. Nearly 94% preferred English, with just over 6% preferring another language, most commonly Spanish.

Language	Claims Count	Percent of Total
English	354,299	93.83%
Spanish	18,748	4.96%
Chinese	593	0.16%
Vietnamese	1,432	0.38%
Laotian	255	0.07%
Russian	869	0.23%
Korean	292	0.08%
Other	1,117	0.30%
Total	377,605	100%

Source: State of Washington UI Data Warehouse. Note: Initial Claim counts include some ineligible and cancelled claims.

Table eight details total initial (new) claim counts since 1998, by industry, with the percentage of change year-to-year. There was a reduction in most industries in 1999, although the aircraft industry saw an incredible 475% increase in claims. In 2000, most industries stayed relatively stable, with the exception of solid increases in the lumber and computer services industries, and decreases in the unidentified and aircraft industries. In 2001, many industries saw solid increases in claims, with the computer services industry experiencing the largest increase of 197%. Only the aircraft industry saw a significant decrease in claims, dropping 37%.

Industry	1998	1999	2000	2001
	Total Claims	Total Claims (w/% change)	Total Claims (w/% change)	Total Claims (w/% change)
Agriculture	16,510	15,784 -4.40%	15,837 0.34%	16,800 6.08%
Forestry	526	457 -13.12%	427 -6.56%	463 8.43%
Fishing	1,869	1,657 -11.34%	1,562 -5.73%	1,455 -6.85%
Mining	791	702 -11.25%	803 14.39%	842 4.86%
Bldg Construction	9,664	9,473 -1.98%	10,592 11.81%	12,018 13.46%
Hvy Construction	8,221	7,251 -11.80%	8,024 10.66%	8,379 4.42%
Spec Construction	19,928	18,570 -6.81%	21,294 14.67%	29,914 40.48%
Oth Mfg	35,433	30,085 -15.09%	33,536 11.47%	49,529 47.69%
Lumber	9,736	7,147 -26.59%	9,521 33.22%	10,160 6.71%
Food Proc	5,044	5,904 17.05%	6,105 3.40%	6,270 2.70%
Aircraft	2,360	13,577 475.30%	9,203 -32.22%	5,797 -37.01%
Tran/Comm/Util	15,813	12,377 -21.73%	14,502 17.17%	20,894 44.08%
Wholesale	16,110	15,587 -3.25%	15,856 1.73%	19,378 22.21%
Retail	35,810	35,473 -0.94%	39,989 12.73%	48,507 21.30%
FIRE	7,773	9,645 24.08%	10,568 9.57%	10,749 1.71%
Services	54,971	55,102 0.24%	58,353 5.90%	73,856 26.57%
Comp Svcs	2,219	2,889 30.19%	4,389 51.92%	13,044 197.20%
Pub Admin	10,394	9,466 -8.93%	9,544 0.82%	9,535 -0.09%
Unidentified	13,635	13,179 -3.34%	10,378 -21.25%	10,807 4.13%
All Industries Combined	266,807	264,325 -0.93%	280,483 6.11%	348,397 24.21%

Figure eighteen (next page) displays the ratio of the average weekly wage amount to the average weekly benefit amount for claimants between 1938-2001. This simple calculation is commonly referred to as the replacement ratio, as it repre-

sents the total proportion (percentage) of a claimant's weekly wage amount replaced by their benefit payment. Relatively stable since 1970, the average weekly benefit amount represented 40% of a claimant's typical weekly wage in 2000.

(10) Unidentified industries are when the claimant's specific industry could not be identified, and is typically where claimants have filed interstate claims.

Figure 18. Ratio of Weekly Benefit Amount to Average Weekly Wage (Replacement Ratio), as a Percentage, with Average Weekly Benefit Amount in Actual Dollars (1938-2000)

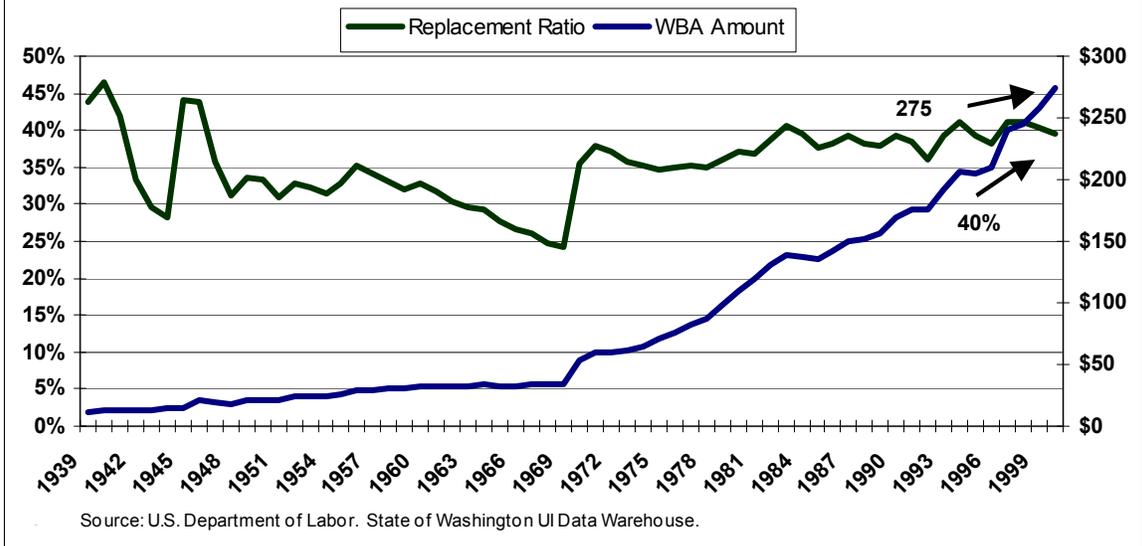


Table nine presents the average weekly benefit payment and maximum benefits payable, by race and gender, for 1998-2001. The maximum benefits payable simply represents the total amount of benefits that a claimant is entitled to. Interestingly, both the highest average weekly benefit and maximum benefit payable amounts were paid

to claimants choosing not to report their race. For those who did identify their race, whites had the highest payment amounts overall for males, while Asian-Pacific Islanders had the highest payments for females. Hispanics had the lowest payment amounts for both males and females.

Table 9. Claimant Benefit Amounts, by Race and Gender (1998-2001)

Average Weekly Benefit Amount												
	1998			1999			2000			2001		
	Male	Female	Combined									
White	\$282	\$211	\$256	\$298	\$225	\$270	\$318	\$236	\$288	\$342	\$262	\$314
Black	\$232	\$201	\$220	\$252	\$209	\$234	\$262	\$218	\$245	\$282	\$241	\$266
API	\$253	\$203	\$229	\$286	\$226	\$259	\$300	\$234	\$270	\$323	\$264	\$296
AI/AN	\$244	\$196	\$224	\$265	\$207	\$240	\$273	\$210	\$246	\$300	\$229	\$270
Hispanic	\$197	\$147	\$179	\$214	\$161	\$194	\$227	\$169	\$205	\$246	\$185	\$223
Did not report	\$287	\$235	\$265	\$287	\$224	\$261	\$320	\$247	\$295	\$350	\$282	\$326
Combined	\$269	\$203	\$245	\$285	\$216	\$258	\$304	\$227	\$275	\$329	\$253	\$301

Average Maximum Benefits Payable												
	1998			1999			2000			2001		
	Male	Female	Combined									
White	\$7,664	\$5,721	\$6,964	\$8,115	\$6,172	\$7,384	\$8,629	\$6,416	\$7,819	\$9,382	\$7,182	\$8,600
Black	\$6,126	\$5,346	\$5,825	\$6,738	\$5,602	\$6,272	\$6,961	\$5,755	\$6,487	\$7,518	\$6,385	\$7,084
API	\$6,791	\$5,456	\$6,160	\$7,936	\$6,262	\$7,190	\$8,170	\$6,369	\$7,349	\$8,886	\$7,268	\$8,150
AI/AN	\$6,280	\$5,166	\$5,811	\$6,881	\$5,489	\$6,274	\$7,077	\$5,521	\$6,410	\$7,879	\$6,054	\$7,106
Hispanic	\$4,930	\$3,562	\$4,443	\$5,404	\$4,003	\$4,870	\$5,766	\$4,174	\$5,171	\$6,310	\$4,659	\$5,701
Did not report	\$8,004	\$6,549	\$7,403	\$7,919	\$6,139	\$7,192	\$8,846	\$6,748	\$8,123	\$9,786	\$7,840	\$9,117
Combined	\$7,246	\$5,473	\$6,593	\$7,706	\$5,882	\$7,006	\$8,192	\$6,113	\$7,417	\$8,961	\$6,890	\$8,207

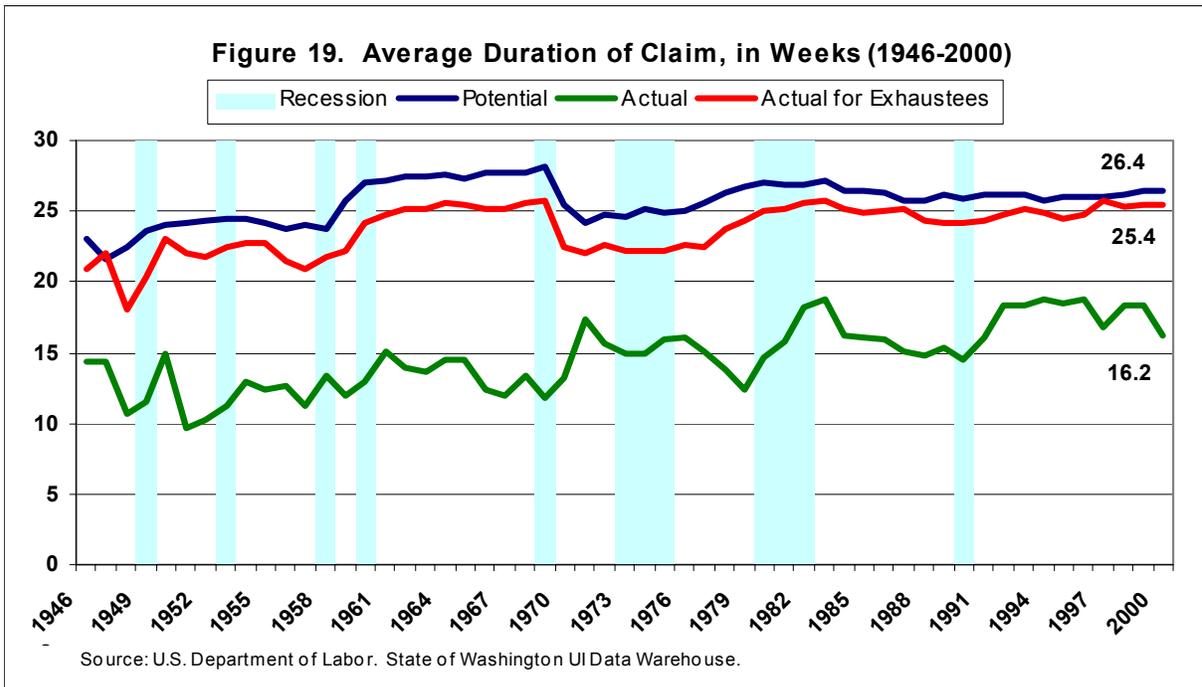
Table ten (next page) details the average weekly benefit amount and maximum benefits payable, by major industry, from 1999-2001. The most notable changes year-to-year were solid increases in the unidentified and forestry industries for 2000 and 2001. Also notable is the disparity between

industry in overall payment amounts. For example, in 2001, the average payments to claimants in the computer services, aircraft, heavy construction industries were more than twice that of claimants in the agriculture industry.

Table 10. Average Weekly Benefit Amount and Maximum Benefits Payable, by Industry, with Percent Change From Prior Year (2000-2001)

Industry	1999		2000				2001			
	WBA	MBP	WBA	% Change	MBP	% Change	WBA	% Change	MBP	% Change
Agriculture	\$174	\$4,231	\$183	5.34%	\$4,497	6.31%	\$198	7.82%	\$4,905	9.07%
Forestry	\$215	\$5,385	\$258	20.35%	\$6,654	23.55%	\$295	13.97%	\$7,932	19.21%
Fishing	\$332	\$8,107	\$369	11.02%	\$9,209	13.59%	\$365	-1.06%	\$8,747	-5.01%
Mining	\$342	\$9,203	\$359	4.83%	\$9,649	4.85%	\$383	6.68%	\$10,463	8.43%
Bldg Constr	\$314	\$8,220	\$338	7.58%	\$8,852	7.69%	\$361	6.83%	\$9,573	8.15%
Hvy Constr	\$362	\$9,438	\$387	6.67%	\$10,102	7.03%	\$403	4.26%	\$10,615	5.08%
Spec Constr	\$313	\$8,280	\$330	5.39%	\$8,750	5.68%	\$362	9.70%	\$9,813	12.14%
Oth Mfg	\$283	\$7,691	\$310	9.59%	\$8,563	11.33%	\$328	5.87%	\$9,170	7.09%
Lumber	\$287	\$7,889	\$315	9.78%	\$8,796	11.50%	\$327	3.90%	\$9,205	4.64%
Food Proc	\$212	\$5,487	\$210	-0.96%	\$5,376	-2.03%	\$227	8.03%	\$5,897	9.69%
Aircraft	\$371	\$11,750	\$405	9.20%	\$11,960	1.79%	\$407	0.49%	\$11,654	-2.56%
Tran/Comm/Util	\$283	\$7,668	\$304	7.25%	\$8,262	7.76%	\$338	11.38%	\$9,350	13.16%
Wholesale	\$255	\$6,993	\$277	8.51%	\$7,627	9.06%	\$310	12.08%	\$8,640	13.29%
Retail	\$188	\$5,016	\$205	8.92%	\$5,487	9.38%	\$226	10.47%	\$6,126	11.66%
FIRE	\$276	\$7,727	\$298	8.02%	\$8,331	7.83%	\$307	3.14%	\$8,573	2.90%
Services	\$226	\$6,055	\$235	4.16%	\$6,256	3.32%	\$263	11.85%	\$7,062	12.87%
Comp Svcs	\$356	\$10,119	\$379	6.47%	\$10,614	4.89%	\$434	14.67%	\$12,450	17.30%
Pub Admin	\$279	\$7,623	\$289	3.51%	\$7,793	2.23%	\$305	5.86%	\$8,245	5.80%
Unidentified	\$186	\$4,725	\$236	27.28%	\$5,963	26.20%	\$313	32.47%	\$8,100	35.85%

Figure nineteen displays the average number of weeks that claimants spent on unemployment insurance from 1946-2000.



Actual claimants are those who did not exhaust their benefits, while actual for exhaustees are claimants completely exhausting their benefits. For 2000, these figures were 16 and 25 weeks respectively. The potential line represents the number of weeks the claimants could have potentially collected, if they would have not regained employment. In 2000, claimants not exhausting benefits had a total of average of 26 potential weeks to draw, or an additional ten weeks of unused benefits on average.

Figure twenty displays the average duration of actual claims, by industry, for 1998-2000. Claimants in the FIRE, fishing and aircraft industries have consistently longer claim duration than other industries, while the lumber and food processing industries typically have the shortest duration.

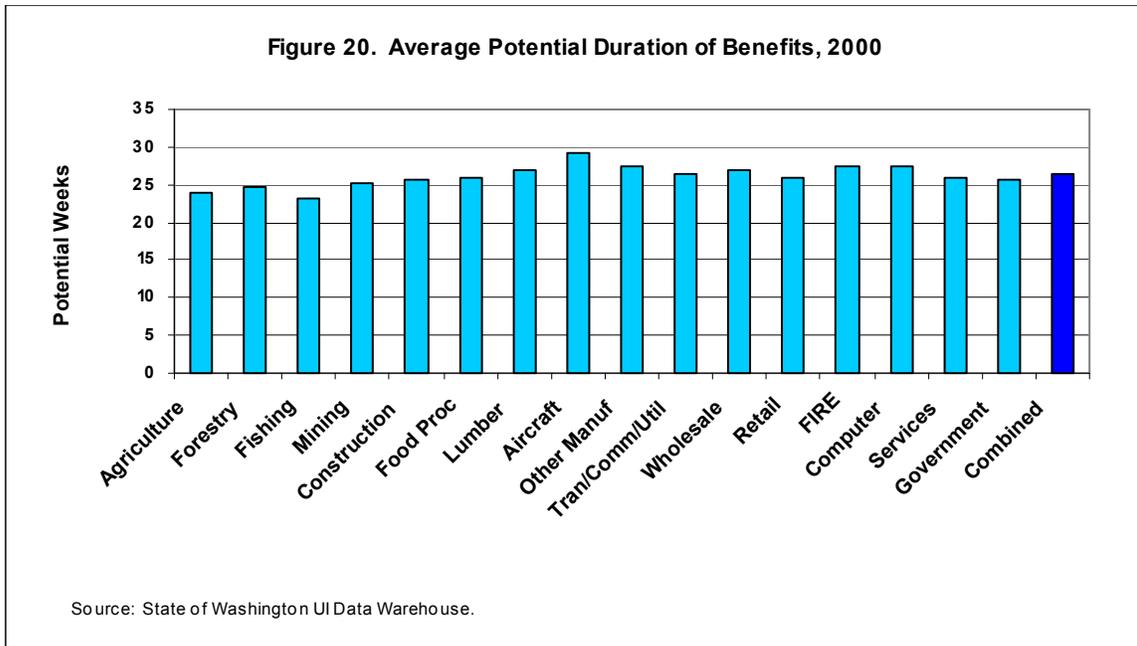
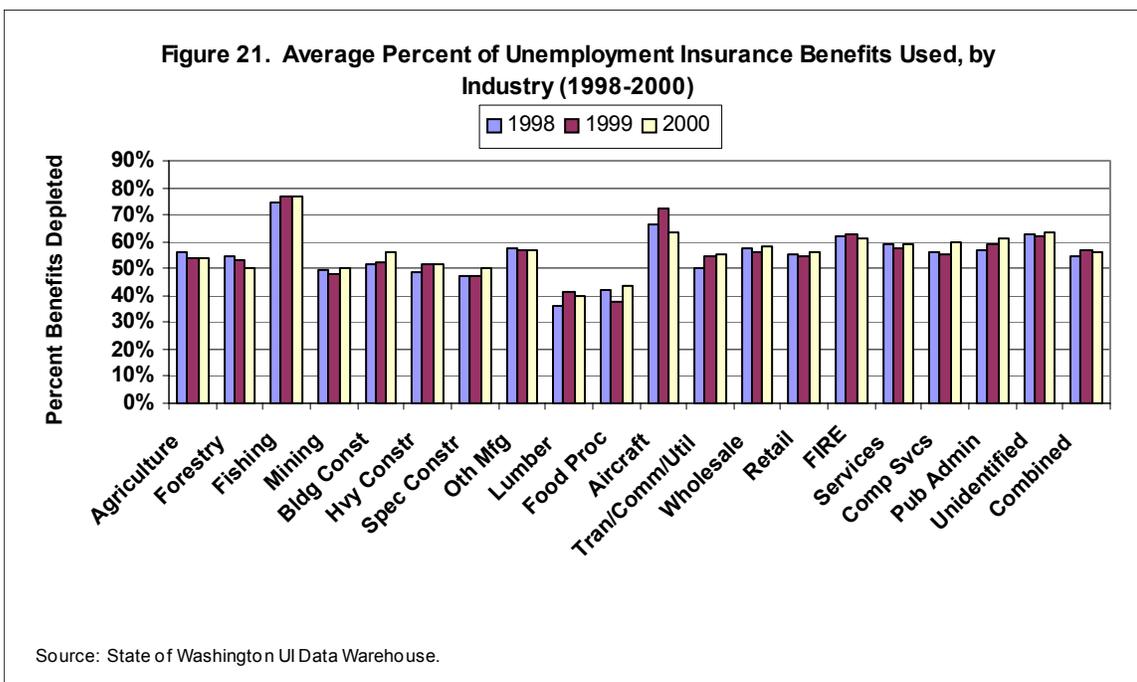


Figure twenty-one breaks down the potential duration of claim, by industry for 2000. The aircraft industry have the longest potential dura-

tion of benefits at over 29 weeks, while fishing had the shortest, at just over 23 weeks. The industry standard in 2000 was just over 26 weeks.



As shown in figure twenty-two, it is not surprising that there is a strong correlation between the percentage of claimants exhausting their benefits and the State of Washington's insured unemployment-

ment rate. For claimants filing claims in 2000, 29% exhausted their benefits, down 6 percentage points from a 1999 rate of 35%.

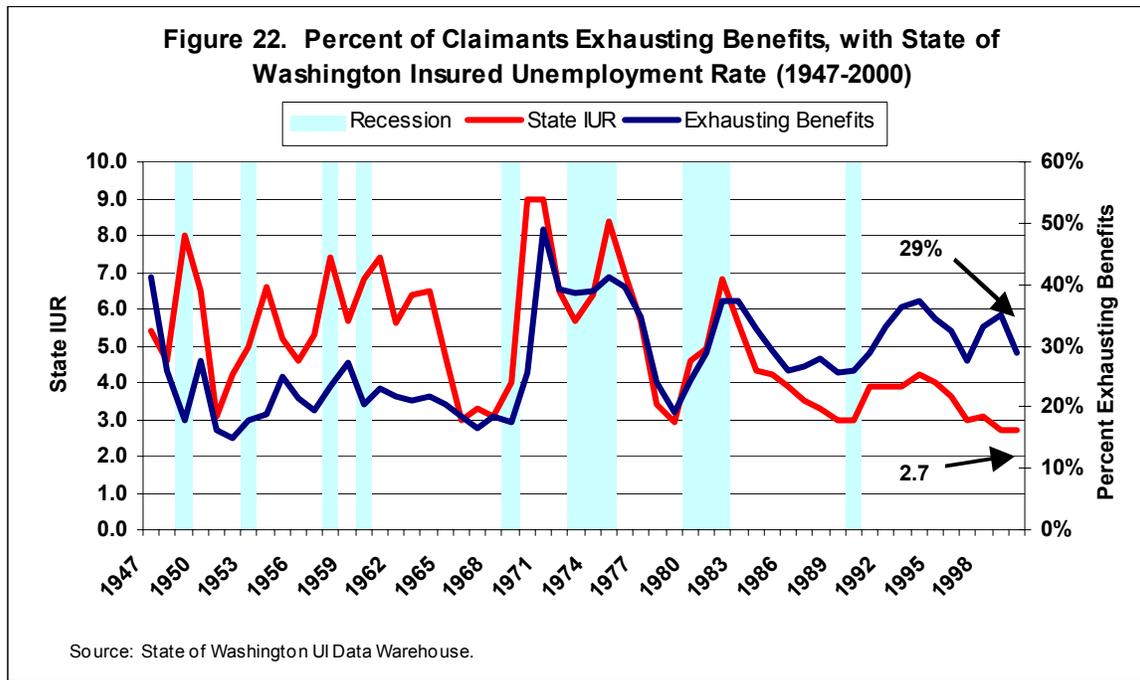
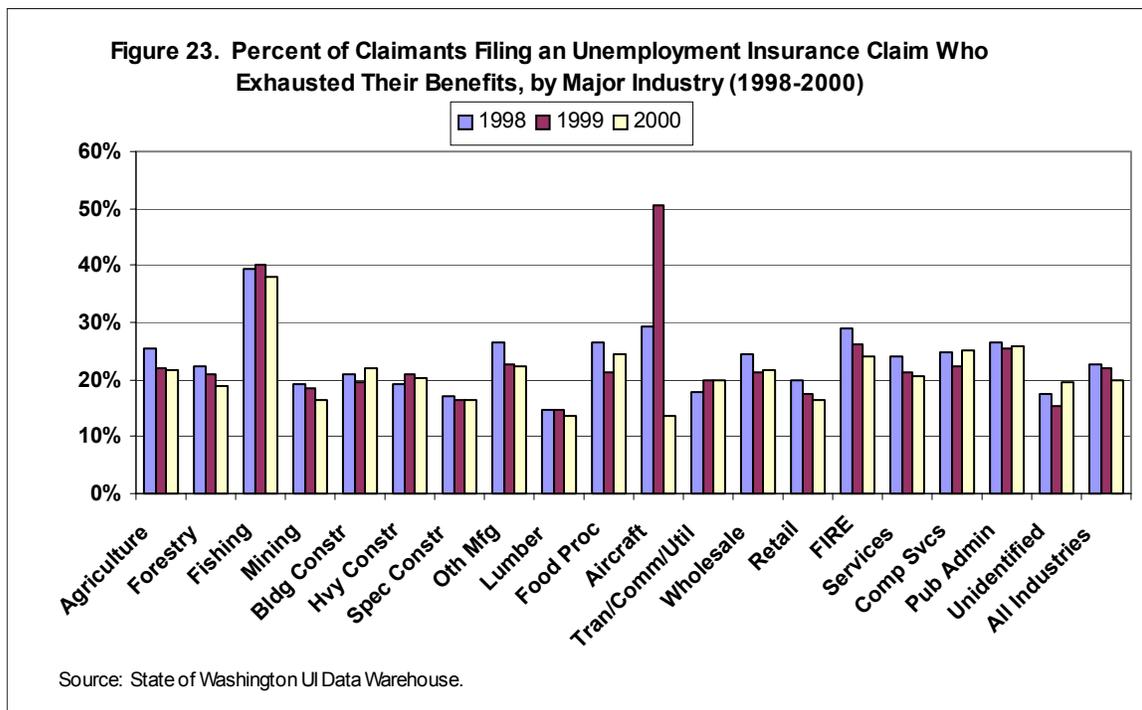


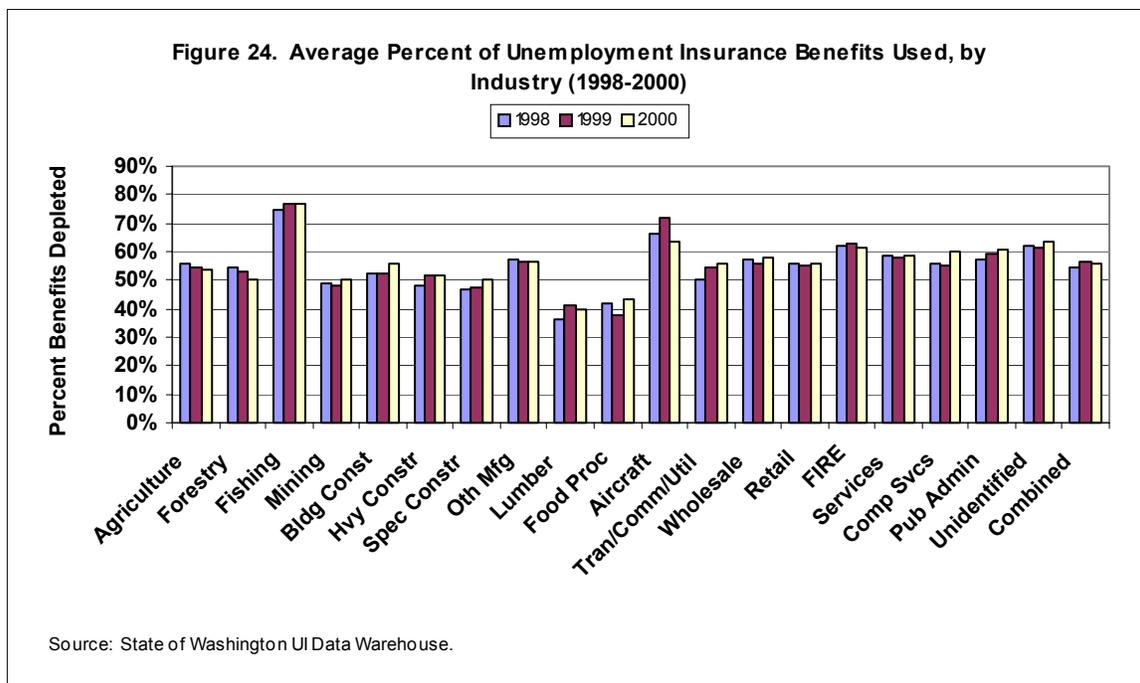
Figure twenty-three details the percent of claimants exhausting their benefits, by industry, between 1998-2000.



On average, the fishing industry has the largest percentage of claimants exhausting their benefits (38% in 2000), while the lumber industry has tended to have the lowest rate of exhaustion (14% in 2000). The average in 2000 for all industries combined was 20%. The aircraft industry saw a significant drop in the level of exhaustion, going from a rate of 51% in 1999, to just 14% in 2000.

Figure twenty-four displays the average percentage of claimant maximum benefits payable drawn, by industry, from 1998-2000. This chart helps to further gauge the time claimants spend on unemployment insurance, and further illustrates the

disparity between the weekly benefit and maximum benefit payable amounts, by industry. For example, in 2000, the average duration for both the fishing and aircraft industries was 19 weeks. Yet, on average, claimants in the fishing industry exhausted 77% of their benefits to the aircraft industry's average of 64%. This is the result of the aircraft industry having an average of \$2,751 more dollars in benefits to draw upon, in comparison to the fishing industry. In addition, as mentioned earlier, in 2000 the aircraft industry had a significantly higher potential weekly duration of 29 weeks, compared to the fishing industry's 23 weeks.



Conclusions

- ❑ The State of Washington insured unemployment rate rose sixth-tenths of a percent to 3.3% in 2001, 1.0% higher than the national unemployment average of 2.3%. Unemployment insurance claims increased a notable 28 percentage points from 2000 to 2001.
- ❑ In 2001, 375,885 claimants applied for and were found eligible to receive unemployment compensation totaling over \$1.4 billion dollars.
- ❑ Claimant demographics changed little between 1998-2001. Additionally, the percentage of veterans served and the citizenship status experienced no notable change. However, there was a slight increase from 2000 to 2001 in the number of claimants who have had at least some college education.
- ❑ The rate of the State of Washington's total workforce covered by unemployment insurance has been on a slow upward trend from its 1978 level of 78%, rising 7 percentage points to 85% coverage in 2001.
- ❑ In 2000, the average claimant replacement wage and employer taxable to total covered wage ratios were .40 and .53 respectively.
- ❑ In 2001, the average claimant weekly benefit amount was \$301, and the maximum benefits payable amount was \$8,207. Both the highest average weekly benefit and maximum benefit payable amounts were paid to claimants choosing not to report their race. For those who did identify their race, whites had the highest payment amounts overall for males, while Asian-Pacific Islanders had the highest payments for females. Hispanics had the lowest payment amounts for both males and females.
- ❑ In 2000, the actual, exhaustees, and potential duration of claims were 16, 25, and 26 weeks respectively. Claimants in the FIRE, fishing and aircraft industries have consistently longer claim duration than other industries, while the lumber and food processing industries typically have the shortest duration.
- ❑ Of claimants filing claims in 2000, 29% exhausted their benefits, down 6 percentage points from a 1999 rate of 35%. The fishing industry tends to have the largest percentage of claimants exhausting their benefits (38% in 2000), while the lumber industry has tended to have the lowest rate of exhaustion (14% in 2000).
- ❑ The State of Washington finished 2001 with a solvent fund. The trust fund reserve ratio was within optimal levels at 2.45%, while the average high cost multiple was close to the most ideal level of 1.0, at .91. The actual dollar balance in the trust dropped \$215 million from its 2000 level of \$1.96 billion, to \$1.75 billion in 2001.
- ❑ In 1999, employers paid \$141.4 million in taxes under the Federal Unemployment Tax Act (FUTA), and a total of more than \$1.8 billion between 1981-1999. During this same timeframe, the State of Washington received back over \$1.7 billion in administrative grants, and extended and emergency benefit payments (nearly 95% of taxes levied).

- ❑ In 2001, the State of Washington employer taxable wage base rose 9% to \$26,600. This amount is the second highest in the nation, with only Hawaii having a higher rate of \$28,400 (see appendix one). As a percentage of total covered wages, the average employer tax rate, and benefits paid, were 1.19% and 1.11% respectively in 2000. These figures were all slightly lower than 1999 levels.
- ❑ The State of Washington saw a 64% spike in ineffective charges in fiscal year 2001, rising \$47 million to nearly \$120 million. This spike was associated with legislative enactments affecting the taxable wage base.
- ❑ In 2001, many industries saw solid increases in claims, with the computer services industry experiencing the largest increase of 197%. Only the aircraft industry saw a significant 37% decrease in claims.

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- (4) U.S. Department of Labor. (2002). *UI Outlook*. Washington D.C.
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- (6) Wagner, Robert (2001). *Trust Fund Adequacy in Washington State*. Washington: Employment Security Department.

APPENDIX ONE

Taxable Wage Base				
State	1999	2000	2001	2002
Alabama	\$8,000	\$8,000	\$8,000	\$8,000
Alaska	\$24,500	\$24,800	\$25,500	\$26,000
Arizona	\$7,000	\$7,000	\$7,000	\$7,000
Arkansas	\$9,000	\$9,000	\$9,000	\$9,000
California	\$7,000	\$7,000	\$7,000	\$7,000
Colorado	\$10,000	\$10,000	\$10,000	\$10,000
Connecticut	\$15,000	\$15,000	\$15,000	\$15,000
Delaware	\$8,500	\$8,500	\$8,500	\$8,500
District of Columbia	\$9,000	\$9,000	\$9,000	\$9,000
Florida	\$7,000	\$7,000	\$7,000	\$7,000
Georgia	\$8,500	\$8,500	\$8,500	\$8,500
Hawaii	\$27,000	\$27,500	\$28,400	\$29,300
Idaho	\$23,600	\$24,500	\$25,700	\$27,600
Illinois	\$9,000	\$9,000	\$9,000	\$9,000
Indiana	\$7,000	\$7,000	\$7,000	\$7,000
Iowa	\$16,500	\$17,300	\$17,900	\$18,600
Kansas	\$8,000	\$8,000	\$8,000	\$8,000
Kentucky	\$8,000	\$8,000	\$8,000	\$8,000
Louisiana	\$7,000	\$7,000	\$7,000	\$7,000
Maine	\$7,000	\$12,000	\$12,000	\$12,000
Maryland	\$8,500	\$8,500	\$8,500	\$8,500
Massachusetts	\$10,800	\$10,800	\$10,800	\$10,800
Michigan	\$9,500	\$9,500	\$9,500	\$9,500
Minnesota	\$18,100	\$19,000	\$20,000	\$21,000
Mississippi	\$7,000	\$7,000	\$7,000	\$7,000
Missouri	\$8,000	\$7,500	\$7,000	\$7,000
Montana	\$17,100	\$17,700	\$18,200	\$18,900
Nebraska	\$7,000	\$7,000	\$7,000	\$7,000
Nevada	\$18,600	\$19,600	\$20,300	\$20,900
New Hampshire	\$8,000	\$8,000	\$8,000	\$8,000
New Jersey	\$20,200	\$21,200	\$22,100	\$23,500
New Mexico	\$14,200	\$14,800	\$15,200	\$15,900
New York	\$8,500	\$8,500	\$8,500	\$8,500
North Carolina	\$13,200	\$13,900	\$14,700	\$15,500
North Dakota	\$15,600	\$16,100	\$17,000	\$17,400
Ohio	\$9,000	\$9,000	\$9,000	\$9,000
Oklahoma	\$12,000	\$9,800	\$10,100	\$10,500
Oregon	\$23,000	\$23,000	\$25,000	\$25,000
Pennsylvania	\$8,000	\$8,000	\$8,000	\$8,000
Puerto Rico	\$7,000	\$7,000	\$7,000	\$7,000
Rhode Island	\$14,000	\$12,000	\$12,000	\$12,000
South Carolina	\$7,000	\$7,000	\$7,000	\$7,000
South Dakota	\$7,000	\$7,000	\$7,000	\$7,000
Tennessee	\$7,000	\$7,000	\$7,000	\$7,000
Texas	\$9,000	\$9,000	\$9,000	\$9,000
Utah	\$19,400	\$20,200	\$21,400	\$22,000
Vermont	\$8,000	\$8,000	\$8,000	\$8,000
Virgin Islands	\$14,600	\$15,900	\$15,000	\$16,800
Virginia	\$8,000	\$8,000	\$8,000	\$8,000
Washington	\$24,300	\$24,300	\$26,600	\$28,500
West Virginia	\$8,000	\$8,000	\$8,000	\$8,000
Wisconsin	\$10,500	\$10,500	\$10,500	\$10,500
Wyoming	\$13,100	\$13,600	\$14,100	\$14,700
Median	\$9,000	\$9,000	\$9,000	\$9,000
Average	\$11,694	\$11,896	\$12,151	\$12,432

Source: U.S. Department of Labor.
Note: U.S. Law requires a minimum wage base of \$7,000.

APPENDIX TWO

2 - Digit SIC Code	Industry	2 - Digit Sic Code	Industry
01	AG-PRODUCTION-CROPS	49	ELECT GAS SANITARY SERV
02	AG PRODUCTION LIVESTOCK	50	WHSL TRADE DURABLE GOODS
07	AGRICULTURAL SERVICES	51	WHSL NONDURABLE GOODS
08	FORESTRY	52	RETAIL BLDG GARDEN GOODS
09	FISH HUNT & TRAP	53	RETAIL GEN MERCHANDISE
10	METAL MINING	54	RETAIL FOOD STORES
12	MINING COAL	55	RETAIL AUTO DEALER
13	OIL & GAS EXTRACTION	56	RETAIL APPAREL &ACCESSOR
14	MINING NONMETAL EX FUELS	57	RETAIL FURNITURE
15	GENERAL BUILDING CONST	58	RETAIL EATING DRINKING
16	HEAVY CONSTRUCTION-EX-BL	59	MISC RETAIL
17	SPECIAL TRADE CONTRACTOR	60	BANKING /DEPOSITORY INST
20	MFG FOOD & KINDRED PROD	61	NONDEPOSITORY INSTITUTIO
22	MFG TEXTILE MILL PRODUCT	62	SECURITY COMMODITY BROKE
23	MFG APPAREL OTHER TEXTIL	63	INSURANCE CARRIERS
24	MFG LUMBER & WOOD PRODUC	64	INSURANCE AGENT BROKER
25	MFG FURNITURE & FIXTURES	65	REAL ESTATE
26	MFG PAPER & ALLIED PROD	67	HOLDING INVESTMENT OFFIC
27	MFG PRINTING & PUBLISHIN	70	HOTELS & LODGING PLACES
28	MFG CHEMICALS ALLIED PRO	72	PERSONAL SERVICES
29	MFG PETROLEUM & COAL PRO	73	BUSINESS SERVICES
30	MFG RUBBER MISC PLASTICS	75	AUTO REPAIR SERV GARAGES
31	MFG LEATHER & LEATHER PR	76	MISC REPAIR SERVICES
32	MFG STONE CLAY GLASS PRO	78	MOTION PICTURES
33	MFG PRIMARY METALS	79	AMUSEMENT RECREATION SER
34	MFG FABRICATED METAL PRO	80	HEALTH SERVICES
35	MFG INDUSTR MACH & EQUIP	81	LEGAL SERVICES
36	MFG ELECT ELECTRONIC EQP	82	EDUCATIONAL SERVICES
37	MFG TRANSPORTATION EQUIP	83	SOCIAL SERVICES
38	MFG INSTRUMENTS REL PROD	84	MUSEUMS BOTANICAL GARDEN
39	MISC MFG INDUSTRIES	86	MEMBERSHIP ORGANIZATIONS
40	RAILROAD TRANSPORTATION	87	ENGINEERING & MANAGEMENT
41	LOCAL INTERURBAN TRANSIT	88	PRIVATE HOUSEHOLDS
42	TRUCKING & WAREHOUSING	89	MISC SERVICES, NEC
43	US POSTAL SERVICES	91	EXECUTIVE LEGISLATIVE GO
44	WATER TRANSPORTATION	92	GOV JUSTICE PUBLIC ORDER
45	AIR TRANSPORTATION	94	GOV ADMIN HUMAN RESOURCE
46	PIPE LINES EX NATURAL GA	95	GOV ENVIRONMENT HOUSING
47	TRANSPORTATION SERVICES	96	GOV ADMIN ECONOMIC PROG
48	COMMUNICATION	99	NONCLASSIFIABLE